

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In re:

PG&E CORPORATION,

- and -

No. 19-30088 (DM)

PACIFIC GAS AND ELECTRIC
COMPANY,

Chapter 11

Debtors.

DEPOSITION OF DINYAR MISTRY

San Francisco, California

Tuesday, March 19, 2019

Volume 1

Reported by:

JODI L. BOSETTI

CSR No. 11316, RPR

JOB No. 3262346

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

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- and -

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PACIFIC GAS AND ELECTRIC
COMPANY,

Chapter 11

Debtors.

Deposition of DINYAR MISTRY, Volume 1, taken
on behalf of Committee of Tort Claimants, at Skikos
Crawford Skikos & Joseph LLP, One Sansome Street,
Suite 2800, San Francisco, California, beginning at
10:05 a.m. and ending at 1:40 p.m., on Tuesday, March
19, 2019, before JODI L. BOSETTI, Certified Shorthand
Reporter No. 11316.

1 APPEARANCES:

2
3 For Official Committee of Tort Claimants:

4 BAKERHOSTETLER

5 BY: ROBERT A. JULIAN

BY: CATHERINE WOLTERING

Attorney at Law

6 1160 Battery Street East, Suite 100

San Francisco, California 94111

7 (415) 806-6000

rjulian@bakerlaw.com

8 cwoltering@bakerlaw.com

9
10 For Debtors and Debtors in Possession:

11 WEIL, GOTSHAL & MANGES LLP

12 BY: RICHARD W. SLACK

BY: DAVID R. SINGH

BY: JESSICA LIOU

13 Attorneys at Law

767 Fifth Avenue

14 New York, New York 10153-0119

(212) 310-8017

15 richard.slack@weil.com

david.singh@weil.com

16 jessica.liou@weil.com

17
18 For Official Committee of Unsecured Creditors:

19 MILBANK

20 BY: DANIEL DENNY

Attorney at Law

21 2029 Century Park East, 33rd Floor

Los Angeles, California 90067-3019

(213) 703-9980

22 ddenny@milbank.com

1 APPEARANCES (Continued):

2

3 Telephonic Appearances:

4 JULIE WOLFE

CHRIS KIM

5

6

Also Present:

7

BRENDAN J. MURPHY

8 Lincoln International

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WITNESS

EXAMINATION

DINYAR MISTRY

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Conditions of Probation Should Not Be
Modified

1 San Francisco, California, Tuesday, March 19, 2019

2 10:05 a.m. - 1:40 p.m.

3

4 DINYAR MISTRY,

5 having been administered an oath, was examined and

6 testified as follows:

7

8 EXAMINATION

9 BY MR. JULIAN:

10 Q State your name for the record, please.

11 A My name is Dinyar Mistry.

12 Q Mr. Mistry?

13 A Yes.

14 MR. JULIAN: Okay. I wonder if the Unsecured
15 Creditors' Committee counsel could inform us who is on
16 the phone listening.

17 MR. DENNY: Yes. I was informed that Chris Kim
18 with FTI Consulting. He's with the FA for the
19 Committee of Unsecured Creditors. Also my colleague,
20 Julie Wolfe, at Milbank. And it may be on a
21 listen-only line, but it's a dedicated line for
22 Milbanks, so there is no one else on the line other
23 than Milbank and FTI professionals.

24 MR. JULIAN: They're not tape-recording?

25 MR. DENNY: No, not tape-recording.

1 BY MR. JULIAN:

2 Q Good morning, Mr. Mistry. I've marked
3 several exhibits that we're going to talk about today
4 in the binder to your right. If you can take that
5 out. We're going to talk about your Declaration,
6 Exhibit 1, first.

7 Is Exhibit 1 your corrected Declaration that
8 you filed in support of the debtors' motion for
9 approval of the short-term incentive plan of PG&E?

10 A Yes.

11 Q Okay. Can we refer to the debtors' proposed
12 short-term incentive plan as the 2019 STIP today?

13 A Yes.

14 Q Do you have any changes to your Declaration?

15 A No.

16 Q Okay. Would you please give me the dates
17 that you were acting as vice president of internal
18 audit and compliance of the debtors?

19 A I don't remember.

20 Q And the dates for when you served as vice
21 president of rates and regulations?

22 A I think it was roughly 2005 to 2008, but I
23 would have to confirm.

24 Q When did you become vice president of HR?

25 A In 2016.

1 Q 2016?

2 A Yes.

3 Q What did you do between '08 and '16?

4 A I was a controller, the vice president and
5 controller. So the positions that I have held include
6 vice president and controller, vice president of
7 regulation rates, vice president of internal audit,
8 and then I went back to being controller and then took
9 on the HR role.

10 Q Got it. Who do you report to as vice
11 president of HR?

12 A When I first got the job, I reported to John
13 Simon. And then after that I reported to Geisha
14 Williams. And now I report again to John Simon.

15 Q So always to the CEO?

16 A No. The first time I reported to John Simon,
17 he was not the CEO.

18 Q What was he?

19 A He was -- I don't remember his title, but --

20 Q What are your duties as HR VP?

21 A My duties include employee attraction,
22 retention, engagement, employee development and
23 training, labor relations, compensation, and the
24 general business operations of HR.

25 Q What are your duties with respect to

1 compensation?

2 A I oversee the compensation department, which
3 is a department within HR.

4 Q Okay. Are you a member -- by the way, PG&E
5 Corp is the holding company and PG&E Company is the
6 utility, right?

7 A Yes.

8 Q Is there a compensation committee, a board
9 compensation committee for each of the two companies
10 or is it one for both?

11 A There is a compensation committee for each,
12 but they tend to meet concurrently.

13 Q They do what?

14 A Meet concurrently.

15 Q I see. And your Declaration refers to the
16 compensation committee approving the proposed 2019
17 STIP, which compensation committee is that?

18 A It's the compensation committee -- since they
19 meet concurrently, I don't know. I'm assuming it is
20 both.

21 Q So if you turn to page 10 -- I'm sorry,
22 page 5 of your Declaration, Exhibit 1, lines 23 and
23 24. You testified that the compensation committee
24 approved the 2019 STIP and the 2019 performance
25 metrics on January 23, 2019; is that right?

1 A Yes.

2 Q And how do you know that?

3 A I was there and it's reflected in the
4 minutes.

5 Q Okay. Are you a member of the compensation
6 committee?

7 A No.

8 Q How do you interact with the compensation
9 committee?

10 A I bring matters to the compensation committee
11 for their decision and discussion.

12 Q Did you recommend the proposed 2019 STIP to
13 the compensation committee?

14 A Yes.

15 Q What did you base your recommendation on?

16 A I based my recommendation on the form of the
17 2019 STIP, the metrics and targets that were
18 established.

19 Q Anything else?

20 A I reviewed the 2019 STIP. It's similar in
21 many respects to a historic STIP that the company has
22 had.

23 Q When you say it's similar in many respects to
24 the historic STIP that the company has had, how long
25 has the company had that historic STIP?

1 A It's many years.

2 Q Can you put a range on the years that it's
3 had the historic STIP?

4 A I don't know.

5 Q Your Declaration says, I think, 30 years for
6 the type of STIP?

7 A Yes. It's been many years, yes.

8 Q Is it 30 years?

9 A At least 30 years probably, yes.

10 Q How do you know that?

11 A I've been informed.

12 Q By whom?

13 A By the senior director of total rewards, who
14 has responsibility for compensation.

15 Q Who is that?

16 A His name is John Lowe, L-O-W-E.

17 Q And what is his title?

18 A Senior director total rewards.

19 Q With which company?

20 A Pacific Gas and Electric Company.

21 Q The utility?

22 A Yes.

23 Q Are you employed by the utility or the
24 holding company?

25 A I am a dual-added officer.

1 Q Of both?

2 A Of both.

3 Q Okay. And I am sorry, I may have missed it,
4 the compensation committee that approved the 2019 STIP
5 on January 23, 2019, which compensation committee was
6 that?

7 A I believe it was both.

8 Q Both. And you were there, right?

9 A Yes.

10 Q Who were the members of the compensation
11 committee who met on that date?

12 A The members of the compensation committee are
13 Forest Miller, Ro Parra, Barbara Rambo, and I believe
14 Dick Kelly.

15 Q All four of those are directors?

16 A Yes.

17 Q Of the holding company?

18 A Of both, the utility and the holding company.

19 Q They are the independent directors of the
20 holding company, right?

21 A Yes.

22 Q By independent, meaning they're not officers
23 or internal representatives of the utility or the
24 corporation, correct?

25 A Yes.

1 Q Are there any members of the compensation
2 committees other than the four independent directors?

3 A No.

4 Q Are you an ex officio member of the
5 compensation committee in any respect?

6 A I don't know what that means.

7 Q Good. Do you attend most of the meetings?

8 A I attend most of the meetings, yes.

9 Q And from time to time do you advise the
10 compensation committee on your recommendations?

11 A Yes.

12 Q And you did on this occasion?

13 A Yes.

14 Q And you recommended the compensation
15 committee approve the 2019 STIP?

16 A Yes.

17 Q Did you also recommend the committee approve
18 the 2019 metrics?

19 A Yes.

20 Q So how should you and I discuss this today?
21 Should I include the 2019 metrics in the 2019 STIP or
22 are they separate from your point of view?

23 MR. SLACK: Object to the form.

24 But go ahead and answer.

25 THE WITNESS: The 2019 STIP is an incentive

1 program that is comprised of a set of metrics and a
2 set of targets associated with those metrics.

3 BY MR. JULIAN:

4 Q Okay. What are the targets for the 2019
5 STIP?

6 A Each metric has its individual targets. And
7 the way the targets are established is there is a
8 threshold, there is a target, and then there is a
9 maximum payout, so there is a range.

10 Q And when you say "targets," are you referring
11 to monetary targets or performance targets?

12 A Performance targets.

13 Q And the performance targets to which you've
14 just referred are performance targets of the company
15 as a whole and not individual employees, right?

16 A Yes.

17 Q How long has the compensation committee been
18 involved in approving STIPs?

19 A I've been in the role for three years, and
20 they have been involved in the three years that I've
21 been in the role.

22 Q Do you know if Exhibit 3 is the compensation
23 committee charter for the PG&E Corporation
24 compensation committee? By the way, I pulled it off
25 the Internet, so I didn't get it from your data room.

1 A I don't know.

2 Q Okay. If you turn to page 8 of your
3 declaration, Exhibit 1, I'm going to ask you about
4 your testimony at lines 19 through 24. In your
5 declaration you said, "Just as with the 2018 STIP and
6 previous STIPS, the compensation committee and the
7 board undertook a rigorous process to ensure that the
8 2019 STIP is designed with the near-term operational
9 and financial objectives with the debtors in mind,
10 which resulted in the development of new, targeted
11 metrics and refinements to existing metrics," closed
12 quote. Right?

13 A That's right, yes.

14 Q What process did the board undertake?

15 A Management brings to the board a set of
16 metrics and targets in around the December time frame
17 that it has developed, and we talk about -- I am
18 sorry. We talk about the metrics in the December time
19 frame, and then, subsequently, we bring forward the
20 targets. The board, the compensation committee
21 reviews the material, they look at the performance
22 from prior years, and they have an independent
23 adviser.

24 Q And is that it?

25 A To the best of my knowledge, yes.

1 Q Were you involved in that process?

2 A Yes.

3 Q How were you involved?

4 A I was involved in discussing the matters with
5 the compensation committee at the meetings and being
6 at the meeting to answer any questions.

7 Q Were you involved in the board's discussion
8 of that process at this meeting?

9 A To the extent that the board had questions
10 for me, yes.

11 Q So you were present?

12 A Yes. The board also has executive sessions,
13 and I was not present at their executive sessions.

14 Q And are you saying you are assuming the
15 executive sessions of the board also discuss
16 compensation?

17 MR. SLACK: Objection to the form of the
18 question.

19 THE WITNESS: I don't know what they discuss.
20 I'm just letting you know they have executive
21 sessions.

22 BY MR. JULIAN:

23 Q When did you recommend the 2019 STIP and the
24 2019 metrics to the board?

25 A It was in January.

1 Q Before the bankruptcy filing or after?

2 A Before.

3 Q Did the board ask you questions about the
4 proposed 2019 STIP?

5 A Yes.

6 Q Do you remember any of the questions?

7 A No.

8 Q Did the board ask you questions about the
9 2019 metrics?

10 A Yes.

11 Q Did you answer them?

12 A Yes.

13 Q You don't happen to remember any of them, do
14 you?

15 A I don't remember the specific questions.

16 Q Let's talk about one of the metrics, if you
17 turn to page 7 of your Declaration.

18 One of the metrics under section 5(a)(ii) is
19 public safety index and dealing with enhanced
20 vegetation management and system hardening, right?

21 A Yes.

22 Q Did the board ask you any questions about
23 that?

24 A Yes.

25 Q What was the discussion during the board

1 meeting about that metric?

2 A My recollection is the board asked whether
3 that metric was consistent with the regulatory filings
4 that we had made.

5 Q And what was your response?

6 A That it is consistent.

7 Q What regulatory filing were you referring to?

8 A The wildfire safety plan that either was made
9 or was going to be made. At this point I don't recall
10 the timing.

11 Q You're referring to the wildfire safety plan
12 that PG&E submitted to the PUC?

13 A Yes.

14 Q In October/November of 2018?

15 A I don't remember when it submitted it.

16 Q I think it may have been submitted
17 February 2019, but you don't remember, though?

18 A No, I don't remember.

19 Q Did the board -- by the way, which board was
20 it that you appeared at to recommend the 2019 STIP?

21 A The committees meet concurrently. So there
22 are two committees, they meet concurrently.

23 Q I understand that. You said earlier you
24 recommended to the board --

25 A I am sorry, I recommended to the compensation

1 committee of the board.

2 Q I see. So when you said you recommended to
3 the board during January of 2019 the 2019 STIP and the
4 metrics, you were referring to the compensation
5 committee of the board?

6 A Yes.

7 Q But you also recommended the 2019 STIP to the
8 board itself, right?

9 A No.

10 Q You did not?

11 A No. The compensation committee has the
12 authority to approve the 2019 STIP.

13 Q What makes you say that?

14 A That's the governance as I understand it.

15 Q Has the board itself ever approved the 2019
16 STIP?

17 A My understanding is that the board needs to
18 approve the STIP for the CEO and the principal
19 executive officers. Since none of them are part of
20 the 2019 STIP, I don't think it needs to go to the
21 board.

22 Q The only approval you think that the 2019
23 STIP needs from the a governance standpoint internally
24 is from the compensation committee of the board?

25 A Yes.

1 Q Let's turn to Exhibit 2, which is Pacific Gas
2 and Electric Company's 2020 general rate case exhibit.
3 If you'll turn to, at the end, page WP 34, 35, through
4 39 -- actually, 41. I'm going to talk about all of
5 that.

6 So, Mr. Mistry, it's at the end of the
7 Exhibit 2.

8 MR. SLACK: So, I'm sorry, is it WP and then like
9 3 dash something and 4 dash? What is the number?

10 MR. JULIAN: I probably misspoke. WP 4-34.

11 BY MR. JULIAN:

12 Q Are you on page WP 4-34 of Exhibit 2?

13 A Yes.

14 Q Does that page contain the metrics for the
15 2017 STIP?

16 A Yes.

17 Q All right. Let's turn to page WP 4-38, 39.
18 Do those pages contain the metrics for the 2018 STIP?

19 A Yes.

20 Q And then the following pages, WP 4-40 and 41,
21 contain a description of the STIP calculation; do you
22 see that?

23 A Yes.

24 Q And does that STIP calculation explanation
25 apply to the proposed 2019 STIP also?

1 A Yes.

2 Q Did the compensation committee approve the
3 2018 STIP?

4 A Yes.

5 Q Did the board approve the 2018 STIP?

6 A The board would have approved the 2018 STIP
7 for the CEO and the principal executive officers.

8 Q But not for the 10,000 or so line employees
9 that are addressed by category by the 2019 STIP; is
10 that right?

11 A I don't believe so, yes.

12 Q All right. Are there any differences in the
13 -- I'll strike that question. I can read it, I get
14 it, but I am going to ask the questions nonetheless.

15 What are the differences, in your view,
16 between the 2018 STIP structure and performance
17 targets and the 2019 STIP structure and performance
18 targets?

19 A There are different metrics in the 2019 STIP
20 than there are in the 2018 STIP. The targets have
21 been changed to reflect 2019 performance versus
22 anticipated 2019 performance versus 2018.

23 Q Okay.

24 A The 2019 -- in 2018 we also had an equity
25 program for a certain number of people, which is

1 called the long-term incentive plan or the LTIP. We
2 do not have that program in 2019. And so 50 percent
3 of the value of that program has been added to the
4 2019 STIP.

5 Q 50 percent of the value from the long-term
6 incentive plan of the 2018 is added to the short-term
7 incentive plan of the 2019?

8 A Yes. And there is no long-term incentive
9 plan for 2019.

10 Q What is the approximate dollar component of
11 the value that you just referred to?

12 MR. SLACK: Objection to the form of the
13 question.

14 THE WITNESS: I don't have the dollar amounts in
15 my mind.

16 BY MR. JULIAN:

17 Q Where is the addition of the value reflected
18 in the 2019 structure and performance targets? So, if
19 I may, Exhibit 1 contains the 2019 STIP.

20 A It's on page 5, line 7.

21 Q Okay. I would like you to go back to
22 Exhibit 2, to pages WP 4-38 and 39, which is the 2018
23 STIP structure and performance targets, right?

24 A Yes.

25 Q Now, 50 percent of the safety metrics or

1 50 percent of the metrics are allocated to safety,
2 right?

3 A Yes.

4 Q And is it true that the 5 percent safety
5 factor for nuclear stays the same between 2018 to
6 2019?

7 A Yes.

8 Q And the public safety index of 10 percent
9 metrics stays the same, right?

10 A The public safety, the 10 percent, but it
11 comprises of different program for 2019.

12 Q So tell me how the 2019 public safety index
13 programs differ from the 2018 metric?

14 A For 2019 it's equally weighted between system
15 hardening and vegetation management and enhanced
16 vegetation management in the high-fire threat areas.

17 Q So 5 percent of the metric is to vegetation
18 management in the high-fire areas?

19 A Yes.

20 Q Whereas in 2018 it was as set forth on page
21 WP 4-38, right?

22 A Yes.

23 Q Okay. Then the financial weighting metric is
24 25 percent in 2018, whereas in 2019 it's 40 percent,
25 right?

1 A Yes.

2 Q What was the discussion of the committee
3 levels to change -- the reason for that change?

4 A We --

5 MR. SLACK: So let me say that you should exclude
6 from your answer, if necessary, any discussions with
7 the lawyers, but outside of the discussion with the
8 lawyers, you should answer that question.

9 THE WITNESS: So as were putting -- as we were
10 designing the 2019 STIP, we had advice from Willis
11 Towers because we anticipated being in a restructuring
12 situation. And we were informed that it was -- that
13 in a restructuring situation, having a higher
14 percentage of the program be weighted to its financial
15 metrics was appropriate.

16 BY MR. JULIAN:

17 Q Who gave you that advice?

18 A We heard that from Willis.

19 Q Your compensation consultant?

20 A Willis was our consultant for designing the
21 2019 STIP. We sought their advice.

22 Q Were they present during the compensation
23 committee meeting when you discussed this?

24 A Yes.

25 Q Was counsel present?

1 A Yes.

2 Q Which counsel?

3 A I don't remember.

4 Q Do you remember the law firm?

5 A Weil, yeah.

6 Q All right. You confirmed for me that the
7 2019 STIP calculates the total target STIP payout in
8 2019, the same as set forth in 2018 on pages WP 4-40
9 and 41 of Exhibit 2, right?

10 MR. SLACK: Objection to the form.

11 THE WITNESS: Page 4-41 has the components of the
12 calculation of the STIP payment and the calculation
13 would be done similarly.

14 BY MR. JULIAN:

15 Q Has anyone on behalf of PG&E calculated the
16 total target STIP payout for the 2019 STIP?

17 A Yes.

18 Q And what is that amount?

19 A It's about \$235 million.

20 Q You're getting that from what page?

21 A I'm getting that from page 6, line 5.

22 Q Of your Declaration?

23 A Yes.

24 Q Exhibit 1?

25 A Yes.

1 Q So turn to page 8 of your Declaration. I'm
2 going to go back to that sentence on 19 through 24.
3 And in that testimony you stated that the committee's
4 work resulted in the development of new targeted
5 metrics and refinements to existing metrics. I would
6 like you to take me through the 2019 metrics in your
7 Declaration and identify for me the new metrics and
8 refined metrics to which you referred.

9 A We've talked about the public safety index in
10 2019. It contains two items, enhanced vegetation
11 management and system hardening. Those two are
12 different for 2019 compared to the 2018 public safety
13 index.

14 Q Let me ask you a question about that. How
15 does enhanced vegetation management, the metric in the
16 2019 STIP, differ from vegetation non-exempt pole
17 clearing, and routine line vegetation management and
18 tree mortality mitigation program, which is described
19 in the 2018 STIPs?

20 A We have filed a wildfire mitigation plan with
21 the commission. And the vegetation management that is
22 in the 2019 STIP is consistent with that plan.

23 Q I see. And is the vegetation pole clearing,
24 routine line vegetation management and tree mortality
25 mitigation program that PG&E had in existence in 2018

1 different in any respect from the wildfire mitigation
2 plan that you filed recently?

3 A I don't know the details.

4 Q Can you tell me whether you know, of your own
5 personal knowledge, the extent to which the two
6 programs are different, if any?

7 A To the extent of my personal knowledge, the
8 2018 program was involved -- we recognized that
9 vegetation management was an important component, and
10 the 2018 program was focused on vegetation management
11 ment. In 2019 we have an enhanced vegetation
12 management program that we filed with the commission.
13 I'm not familiar with the particulars of that program,
14 but our 2019 program is consistent with that program.

15 Q Your 2019 program is consistent with the
16 wildfire management plan you filed recently with the
17 PUC?

18 A Yes.

19 Q My question is: Can you tell me the extent
20 to which the 2019 program differs from the 2018
21 program referenced in the 2018 STIP in Exhibit 2?

22 A I don't know the particulars.

23 Q How is it that you know that the new metric
24 is new?

25 A Because it has a different set of -- it is a

1 new metric. It reflects miles of trees to be cleared.
2 And the former metric was three separate things, and
3 it involved, as I recall, a quality assurance around
4 the tree-trimming program.

5 Q Who determined the quality assurance?

6 MR. SLACK: Objection to the form of the
7 question.

8 THE WITNESS: It's a program that is run by
9 electric operations.

10 BY MR. JULIAN

11 Q Do you know whether its PG&E employees or
12 independent contractors who were supposed to determine
13 whether the quality of vegetation pole clearing,
14 routine line management, and tree mortality mitigation
15 program work had been done properly in 2018?

16 A I don't know.

17 Q Now, you testified that the board didn't
18 approve any awards under the 2018 STIP; is that right?

19 MR. SLACK: Objection to the form of the
20 question.

21 BY MR. JULIAN

22 Q In your Declaration.

23 A The compensation committee did not approve
24 the payment for the 2018 STIP.

25 Q Turn to page 4 of your Declaration, which is

1 Exhibit 1. Turn to line 12 of page 4. Do you have
2 that?

3 A Yeah.

4 Q In that section of your Declaration you
5 testified, "In light of the 2018 Northern California
6 wildfires and the material deterioration in the
7 debtors' financial situation, the board of directors
8 adopted senior management's recommendation and
9 exercised its discretion to forego paying to
10 approximately 11,000 of the debtors' employees the
11 2018 STIP awards, and the debtors withdrew their
12 request for authority to pay such awards? Have I read
13 your testimony correctly?

14 A Yes.

15 Q Who in senior management recommended to the
16 board of directors to forego paying the 2018 STIP
17 awards?

18 A The senior management team discussed it. The
19 recommendation was made by the CEO.

20 Q Which was whom at that time?

21 A John Simon.

22 Q What was the date of that recommendation?

23 A It was in January.

24 Q Before the bankruptcy?

25 A No. Was it in January? I don't -- actually,

1 I don't remember.

2 Q Oh, that's right. Let me refresh your
3 recollection.

4 A Yeah.

5 Q The debtors file a motion for approval?

6 A Yes. So it was after the bankruptcy.

7 Q After the bankruptcy, right?

8 A Yeah.

9 Q So Mr. Simon --

10 A It must have been, yeah.

11 Q Mr. Simon became CEO shortly before the
12 bankruptcy?

13 A Mr. Simon became CEO, I believe, a couple of
14 weeks before bankruptcy. He was interim CEO. Yes,
15 you are correct, it was after we filed.

16 Q When you say it was after we filed, what you
17 mean is after PG&E filed its bankruptcy cases?
18 Mr. Simon recommended to the board of directors of
19 both companies the board forego paying approximately
20 11,000 of the debtors' employees the 2018 STIP awards?

21 A Mr. Simon recommended that the board exercise
22 its discretion and forego paying that amount.

23 Q And how do you know that the board of
24 directors adopted Mr. Simon's recommendation?

25 A I was at the compensation committee when the

1 compensation committee adopted it. I was not at the
2 board meeting, but I'm assuming that there would be a
3 resolution or minutes or something that would explain
4 that.

5 Q When did that compensation committee meeting
6 take place?

7 A I don't remember the date.

8 Q You were present?

9 A I was present.

10 Q Did you hear Mr. Simon's recommendation
11 yourself?

12 A Yes.

13 Q What reason did he give for supporting his
14 recommendation to the compensation committee?

15 A The reason is what we have stated here, which
16 is in light of the 2018 Northern California wildfires
17 and the material deterioration in the debtors'
18 financial situation.

19 Q Did Mr. Simon explain what he meant by that?

20 A Possibly. I don't remember exactly what he
21 said.

22 Q What did you understand he meant?

23 A I understood he meant that in light of the
24 wildfires that occurred, the financial pressures that
25 it put on the company, that he felt and management

1 felt that the board should not award the 2018 STIP.

2 Q You said the financial pressures it placed on
3 the company. What is the "it" that placed the
4 financial pressures on the company?

5 A The financial pressures that the potential
6 liabilities resulting from the wildfires and the loss
7 of liquidity.

8 Q And which wildfires are you referring to?

9 A The 2017 and 2018 wildfires.

10 Q Are those the fires that he referred to?

11 A To the best of my knowledge. I don't know
12 that we specifically talked about which set of
13 wildfires.

14 Q Do you know whether the board of directors
15 approved a similar resolution foregoing payment of the
16 2018 STIP awards?

17 A That's my understanding.

18 Q And how did you get that understanding?

19 A I was likely told.

20 Q Do you know who?

21 A No.

22 Q Now that we've talked a little bit about it,
23 you think your Declaration on page 4, line 13 should
24 refer to the compensation committee instead of the
25 board of directors?

1 MR. SLACK: Objection to the form of the
2 question.

3 THE WITNESS: So I would like to explain my
4 understanding of the governance, which is that the
5 compensation committee approves the STIP for all of
6 the employees except the CEO and the principal
7 executive officers. And those require approval of the
8 board. I was not there at the board discussion.

9 BY MR. JULIAN:

10 Q You said you were likely told that the board
11 of directors approved the or forego -- I will withdraw
12 the question.

13 You said that you were likely told that the
14 board of directors decided to forego payment of the
15 2018 award. You don't remember who told you; is that
16 right?

17 A For the vast majority of the employees, the
18 decision to forego the STIP was made by the
19 compensation committee. For about four employees,
20 which is the CEO and the principal executive officers,
21 that decision is a board decision. I was present at
22 the compensation committee when they made the decision
23 to forego the STIP for the broad range of employees.
24 I didn't focus on those four employees.

25 Q And my only question is did someone tell you

1 that the board approved foregoing the 2018 STIP awards
2 for the senior officers?

3 A The senior officers are part of the
4 compensation committee. It is for the CEO and the
5 three principal executive officers who are part of the
6 board. And I, honestly, don't recall.

7 Q You honestly don't recall whether someone
8 told you that the board approved --

9 MR. SLACK: Objection to the form of the
10 question.

11 THE WITNESS: I didn't follow up on the decision
12 for those four employees.

13 BY MR. JULIAN:

14 Q Did the company pay 100 percent of the STIP,
15 the targeted STIP in 2017?

16 A In 2017 the company paid according to the
17 STIP results, which I don't believe was the target.
18 It was whatever the STIP result was, whatever the
19 company score was.

20 Q Let's turn to WP 4-34. Does that page help
21 you answer the question.

22 A Yes. So the score over here is .959, and
23 that was the score that was paid.

24 Q In layman's terms, that means 95.9 percent of
25 the targeted short-term incentive payments that could

1 have been paid for 2017 were actually paid?

2 A Yes.

3 Q And when did the -- who approved that award?
4 The compensation committee --

5 A The compensation committee.

6 Q -- approved the award to the line employees?

7 A Yes.

8 Q In 2017?

9 A Yes.

10 Q When did the compensation committee approve
11 the STIP, the 2017 STIP award payments to the
12 employees? And by that I mean year.

13 A Oh, 2018.

14 Q So, in other words, after 2017 is over --

15 A Yes.

16 Q -- the compensation committee gets together,
17 figures out what happened, and approves an award; is
18 that right?

19 A After the year is over and the metrics are
20 validated by internal audit, the compensation
21 committee reviews the metrics and approves the
22 payment.

23 Q And what month would that have been in 2018
24 that the compensation committee would have approved?

25 A I believe it was February.

1 Q February.

2 A Also in 2018, yes, February.

3 Q And who prepared pages WP 4-35 and 36? By
4 who, I mean the audit department or someone else. I
5 don't mean the name of the person.

6 A I don't know.

7 Q On page WP 4-35, PG&E said that the
8 performance -- under electric operations, the
9 performance addressed electric distribution infrared
10 inspections, electric distribution conductor upgrades,
11 and transmission and distribution vegetation
12 management, public safety and reliability program,
13 right?

14 A Yes.

15 Q And the performance that PG&E gave for its
16 2017 work was that the year-end index score exceeded
17 the year-end target, right?

18 A Yes.

19 Q And it says, "Performance was driven by
20 completing infrared inspection work and vegetation
21 management work ahead of plan. Overhead conductor
22 replacement performance was below target due primarily
23 to resource reprioritization in the fourth quarter for
24 October 2017 wildfire response." Do you see that?

25 A Yes.

1 Q And it says, "No benchmark." What does no
2 benchmark mean, if you know?

3 A To the extent that any of these metrics that
4 we put in the STIP have a benchmark in the industry
5 that we are able to find, we consider that as an
6 input.

7 Q Okay. Did the company reduce its 2017 STIP
8 award payments by virtue of the 2017 wildfires?

9 A The company did not award the 2017 STIP to
10 the CEO and the CFO, but did not make other
11 adjustments.

12 Q And you said did not make other adjustments?

13 A Yes.

14 Q Who made the decision not to award the STIP
15 awards to the CFO and the CEO?

16 A The compensation committee would have made
17 the decision for the CFO and the board would have made
18 the decision for the CEO.

19 Q Do you know whether the compensation
20 committee denied STIP award payments to the CFO
21 because of the 2017 wildfires?

22 A I do not know.

23 Q Do you know if the board did not approve STIP
24 award payments to the CFO because of the 2017
25 wildfires?

1 A I do not know.

2 Q What part of the 2019 STIP performance
3 metrics is designed to promote mitigation of wildfire
4 risks?

5 A The public safety index.

6 Q Which paragraph?

7 A Which is on page 7, line 6.

8 MS. WOLTERING: Exhibit 1.

9 BY MR. JULIAN:

10 Q You're referring to the public safety index
11 weight of 10 percent?

12 A Yes.

13 Q Having two new equally weighted submetrics
14 dealing with enhanced vegetation management and system
15 hardening?

16 A Yes.

17 Q How does the 2019 STIP promote mitigation of
18 further wildfire risks differently than the 2018 STIP?

19 A The 2019 STIP has system hardening, which is
20 hardening measures for circuit miles within the
21 fire-designated areas, and it has the enhanced
22 vegetation management program that you see over here.

23 Q What kind of system is targeted to be
24 hardened?

25 A I believe it is poles and wires.

1 Q How about the conductors?

2 A That's wires.

3 Q Sorry. How about the insulators?

4 A I don't know.

5 Q How about the hooks that hold the insulators
6 onto the towers?

7 A I don't know.

8 Q How about the transformers?

9 A I don't know.

10 Q That brings up a good point. So the system
11 hardening that is discussed in the 2019 performance
12 metrics, does that relate to just transmission lines
13 or transmission lines and distribution lines?

14 A I don't know.

15 Q Are there any other provisions of the 2019
16 STIP that promote mitigation of wildfire risks?

17 A The public safety index is the one that is
18 most direct.

19 Q That's the 10 percent public safety index on
20 page 7 of your declaration, paragraph 5(a)(ii) right?

21 A Yes.

22 Q The 2019 STIP assigns 40 percent of the
23 performance metrics to financial performance, correct?

24 A Yes.

25 Q The 2019 STIP prioritizes financial

1 performance over wildfire safety, correct?

2 MR. SLACK: Objection to the form of the
3 question.

4 THE WITNESS: The 2019 STIP. So the STIP is
5 designed to look across the enterprise and be focused
6 on important matters. So 50 percent of our STIP
7 relates to safety, as you can see. 40 percent of our
8 STIP is financial and 10 percent is customer
9 satisfaction.

10 BY MR. JULIAN:

11 Q Do you have an opinion as to whether or not
12 the 2019 STIP prioritizes wildfire safety -- no.
13 Strike the question.

14 Do you have an opinion as to whether or not
15 the 2019 STIP prioritizes financial performance over
16 wildfire safety mitigation?

17 MR. SLACK: Objection to the form of the
18 question.

19 THE WITNESS: My view is that the 2019 STIP
20 prioritizes safety over financial performance.

21 BY MR. JULIAN:

22 Q And you're referring, in that regard, to the
23 safety metric of 50 percent, correct?

24 A Yes.

25 Q Which allocates 10 percent to wildfire

1 safety, correct?

2 A Yes.

3 Q And the other 40 percent of the 50 percent
4 goes to nuclear reliability, first time miles, asset
5 records, and serious injuries and fatalities, right?

6 A Yes.

7 Q And none of those other ones have to do with
8 wildfire mitigation, do they?

9 MR. SLACK: Objection to the form.

10 THE WITNESS: They refer to other aspects of the
11 business.

12 BY MR. JULIAN:

13 Q Is the answer to my question yes?

14 MR. SLACK: Objection to the form.

15 THE WITNESS: I'm not sure I understand your
16 question.

17 BY MR. JULIAN:

18 Q Is there anything in the 5 percent of nuclear
19 reliability safety indicators that deals with wildfire
20 mitigation?

21 A No.

22 Q Is there anything in first-time ILI miles
23 weighted 10 percent that deals with wildfire
24 mitigation?

25 A No.

1 Q Is there anything in the safety factor known
2 as asset records duration index weighted 10 percent
3 that deals with wildfire mitigation?

4 A It is important to have accurate asset
5 records. While it isn't directly related to system
6 hardening and vegetation management, it is an
7 important aspect of having a safe system.

8 Q Is the 10 percent allocated to accurate
9 records different than the 2018 STIP?

10 A I would have to look at the details, but I
11 think it's similar.

12 Q And is there anything in the serious injuries
13 and fatalities correction actions index of 15 percent
14 that deals with wildfire mitigation?

15 A The serious injuries and fatalities
16 corrective action deals with the safety of our
17 employees who are critical to maintaining the system.

18 Q Have you read Judge Alsup's order to show
19 cause in which he stated that PG&E should have used
20 the money paid in dividends in 2016 and 2017 to fix
21 the electrical system?

22 A I have not read the order.

23 Q Did the compensation committee consider the
24 order in creating the 2019 STIP?

25 A I don't know.

1 Q While you were present at the compensation
2 committee meetings, did the compensation committee
3 consider Judge Alsup's orders in any respect?

4 A I don't recall.

5 Q Does the 2019 STIP contain any performance
6 metric that would incentivize employees to file a
7 whistleblower report that PG&E employees are
8 falsifying records?

9 MR. SLACK: Objection to the form.

10 THE WITNESS: Could you ask the question again.

11 BY MR. JULIAN:

12 Q Yeah.

13 Does the 2019 STIP contain any performance
14 metric that would incentivize employees to file a
15 whistleblower report that PG&E employees are
16 falsifying records?

17 MR. SLACK: You have my objection to the form.

18 THE WITNESS: We have a -- we have a variety of
19 programs for employees to raise concerns, including a
20 help line, a compliance and ethics help line, a
21 federal monitor line, and what we call a cap or a
22 continuous improvement program system. So we have the
23 mechanism for employees to raise concerns.

24 I'm not understanding the connection between
25 the 2019 STIP and mechanism for employees to raise

1 concerns.

2 BY MR. JULIAN:

3 Q Does the 2019 STIP or 2019 performance
4 metrics contain any metric that, in your view,
5 incentives an employee to be compensated by invoking
6 the whistleblower program that you just described?

7 MR. SLACK: Objection to the form of the
8 question.

9 THE WITNESS: These are fairly objective metrics,
10 and I'm not seeing the connection that seems to be in
11 your question.

12 BY MR. JULIAN:

13 Q Is there any way, in your view, that the
14 performance metrics in 2019 incentivize employees to
15 do anything good for PG&E?

16 A Yes.

17 Q How so?

18 A These metrics and targets are intended to
19 improve the performance of the company, which is good
20 for PG&E. And it aligns the employees' goals with
21 advancing these measures for the company.

22 Q After PG&E determines the total STIP awards
23 that are available for a given year, who makes the
24 decision as to the dollar amount that actually gets
25 allocated to an individual employee from the total

1 STIP award program that is approved for that year?

2 MR. SLACK: Can you read it back for me, please.

3 (Record read.)

4 THE WITNESS: We talked previously about the
5 calculation that is done, and that's the calculation
6 that is followed.

7 BY MR. JULIAN:

8 Q Are you referring to the Exhibit 2, page
9 WP 4-40?

10 A WP 4-41.

11 Q Oh, you're right.

12 Which line of WP 4-41?

13 A It's between lines 15 and 16. There's a
14 series of boxes.

15 Q Okay. So could you tell us, in layman's
16 terms, how that all works?

17 A Sure.

18 Q How does PG&E calculate the actual STIP
19 payment, i.e. the bonus that an employee is going to
20 get for the year in question?

21 A So the STIP is not a bonus. The STIP is an
22 incentive-based compensation. That is part of total
23 compensation. In calculating the amount of incentive
24 compensation that an individual would get, each
25 individual has a target participation rate that is

1 based on their level in the company. That target
2 participation rate is applied to that individual's
3 eligible earnings, which, in layman's terms, are that
4 individual's wages.

5 So, for example, if an individual had wages
6 of a hundred thousand dollars and a target
7 participation rate of 10 percent, their target STIP
8 would be \$10,000. And then onto that we apply an
9 individual performance multiplier based on that
10 individual's performance against his or her own goals
11 and then multiply that by the company performance
12 score, and that's how the individual STIP payment is
13 determined.

14 Q What was the range of individual performance
15 modifiers available in 2018, if you recall?

16 A It was 0 to 150 percent.

17 Q And for 2019 what is it?

18 A It is 125 percent for 10 percent of the
19 population.

20 Q 125 percent for 10 percent?

21 A Yes.

22 Q Of the employee pool?

23 A Of the employee pool.

24 Q And what was it for the other 90?

25 A There is no individual performance multiplier

1 for 2019.

2 Q Is the employee pool for 2019 of
3 approximately 10,000 employees?

4 A Yes.

5 Q So for 10 percent or a thousand of the
6 employees --

7 A Up to 10 percent, yeah.

8 Q Up to 10 percent of the employees, the
9 multiplier is 125?

10 A 1.25.

11 Q Is that 0 to 1.25?

12 A No. It's just 1.25.

13 Q What is the reason for the change between
14 0 -- well, no, before I ask you that, I have to
15 understand how the 0 to 150 works.

16 Who made the decision for -- who was supposed
17 to make the decision for 2018 as to whether an
18 employee's modifier multiplier was 0 or 1.5?

19 A It was based on the employee's year-end
20 evaluation, which is done by the employee's leader.
21 We have a process that considers the employee's goals
22 and the employee's competencies, and every employee
23 receives a performance rating. Based on that
24 performance rating, there could be differences in the
25 individual performance multiplier.

1 Q Who was the one who was supposed to determine
2 whether the employee got 0 or 1.5 of his short-term
3 incentive payment?

4 A Generally, the employee's supervisor.

5 Q Supervisor, sure.

6 And for 2019, does that procedure go away?

7 A For 2019 we are still working through how
8 that process will work, but it will generally be the
9 employee's supervisor also.

10 Q For the 10 percent?

11 A For the 10 percent.

12 Q So stated another way, you don't have a
13 procedure in place yet for it, right?

14 A Yes.

15 Q But you're discussing with the comp committee
16 that the supervisor would have the discretion to award
17 between 0 and 1.25 percent to 10 percent of the
18 employees?

19 A We don't need to discuss that with the
20 compensation committee. That has been delegated to
21 management to work through.

22 Q So what is the procedure -- correct that.

23 What you're discussing is paying out 0 to
24 1.25 percent of the available award for each employee
25 based upon the supervisor recommendation?

1 A So let me explain. In 2018 the individual
2 performance multiplier applied to every STIP-eligible
3 participant. So all 10,000 could get an individual
4 performance multiplier. It's a very broad group of
5 employees who were eligible for an individual
6 performance multiplier. We're streamlining that for
7 2019 and saying only 10 percent of employees could get
8 an individual performance multiplier, and it is just
9 simply a 1.25 individual performance multiplier.

10 Q No zero?

11 A No zero.

12 Q What about for the other 90 percent for 2019?

13 A They will give STIP at whatever the company
14 score is based on their participation rate.

15 Q They'll get 1.0?

16 A If the company score is a 1.0.

17 Q Who makes that decision for 2019?

18 A As to the company score?

19 Q Who makes the decision whether to pay out the
20 2019 STIP awards in 2019?

21 A The STIP is designed with metrics and targets
22 and that determines the company's score. And then the
23 compensation committee and the board retain the
24 discretion that they've always had, to approve the
25 payment.

1 Q So it's an all-or-nothing payment for the
2 board; is that right?

3 MR. SLACK: Objection to the form.

4 THE WITNESS: The board has full discretion, so
5 they can approve some portion, they can approve it
6 all, or they can approve none. They have very full
7 discretion.

8 BY MR. JULIAN:

9 Q What guides their discretion?

10 MR. SLACK: Objection to the form of the
11 question.

12 THE WITNESS: They have full discretion, so they
13 can use whatever they are considering at that point in
14 time.

15 BY MR. JULIAN:

16 Q Who decides who was in the 10 percent of the
17 employees who can get up to the 1.5 percent?

18 A As of now, the way the process -- the way
19 we're thinking of the process is it will be the
20 employee's supervisor, but it is going to be limited
21 to 10 percent of the STIP population.

22 Q Is the 10 percent pool that can possibly get
23 the 1.5 multiplier award targeted for any type of
24 senior management or supervisors or line employees?

25 A So a couple of thing. One is it's a

1 1.25 percent multiplier, not 1.5, for 2019, actually.

2 Q Thank you.

3 A And the senior leaders of the company are not
4 part of the 2019 STIP.

5 Q Do the employees know now whether they're in
6 the 10 percent pool or not?

7 A No. That will be determined each quarter
8 based on their performance.

9 Q That brings up a good point. One of the
10 things your Declaration does is it says that the STIP
11 award payments of the 2019 are designated to be paid
12 out quarterly rather than annually, as they were
13 designated under 2017 and 2018, right?

14 A Yes.

15 Q And who made that recommendation?

16 A As we were designing the 2019 STIP, we got
17 input. And one of the pieces of input that we got was
18 that this was a practice that is used in restructuring
19 situations. And so we considered that a good -- it
20 was our judgment that it made sense for us and we
21 incorporated it into the 2019 STIP plan.

22 Q Who gave that recommendation or advice to
23 you?

24 A I believe Willis Towers Watson.

25 Q Was it discussed at the compensation meeting

1 that you were at?

2 A Yes.

3 Q Was there any discussion at the compensation
4 level that one of the reasons for changing the STIP
5 awards from an annual payment to a quarterly payment
6 was because of the possibility of a fire in the latter
7 part of 2019?

8 A No.

9 Q It didn't come up at all?

10 A The reason for changing from an annual to a
11 quarterly basis is to keep our employees engaged in a
12 time of considerable uncertainty with a restructuring
13 situation.

14 Q The way it's supposed to work under 2019 is
15 if the company hits all of its metrics under the
16 performance metrics for the first six months, the
17 maximum target award could be paid out in the six
18 months, right?

19 A For that six-month period.

20 Q Correct.

21 A Yes.

22 Q And then if all of the employees fail in the
23 wildfire mitigation plan and cause a hundred deaths
24 because the electrical equipment hasn't been made safe
25 and the metrics aren't met, they can still keep the

1 compensation, short-term incentive compensation that
2 they received for this first six months, right?

3 MR. SLACK: Objection to the form of the
4 question.

5 THE WITNESS: The plan is designed to be
6 quarterly, as you understand. And each quarter is a
7 rolling -- each quarter's performance is a
8 year-to-date performance or a rolling 12-month
9 performance.

10 BY MR. JULIAN:

11 Q Was there any discussion at the compensation
12 committee level as to whether or not the scenario that
13 I just played out was prudent?

14 MR. SLACK: Objection to the form of the
15 question.

16 THE WITNESS: I believe at the compensation
17 committee we talked about the quarterly payment
18 compared to the annual payment. We talked about
19 meeting quarterly objectives, that they are -- each
20 quarter, like Q2, is a year-to-date measure or a
21 rolling 12-month measure. Does that answer your
22 question?

23 BY MR. JULIAN:

24 Q Sure.

25 Page 4 of your declaration says that the

1 compensation committee conducted a thorough evaluation
2 of the debtors' existing STIP for purposes of
3 formulating the 2019 STIP.

4 MR. SLACK: You know what, you've got a question
5 pending, so I don't know if there's a natural break in
6 the next near time that we can take a short break.

7 MR. JULIAN: It's a good time.

8 MR. SLACK: I'm not telling you to stop now. I'm
9 just saying if there's a natural time, let's take a
10 short break.

11 MR. JULIAN: All right. Let me finish this up,
12 then.

13 MR. SLACK: My request had nothing to do with the
14 particular question.

15 MR. JULIAN: I understand.

16 MR. KAROTKIN: He's looking out for my well-being
17 at my age.

18 BY MR. JULIAN:

19 Q On page 4 of your Declaration, lines 24 and
20 25 -- actually, 23 through 26, you testified that the
21 compensation committee conducted a thorough evaluation
22 of the debtors' existing STIP for the purposes of
23 formulating the 2019 STIP. What was the thorough
24 evaluation of the 2018 STIP that the compensation
25 committee conducted?

1 A The compensation committee reviewed the
2 measures of the 2018 STIP, the intent of the 2018
3 STIP, and talked about changes between the 2018 STIP
4 and the 2019 STIP.

5 Q Anything else?

6 A I think that was the big picture.

7 Q And did the compensation committee, in that
8 regard, discuss any changes, other than the ones
9 you've already told me about in the deposition?

10 A I think those are the main ones.

11 MR. JULIAN: Let's take a break.

12 (Recess.)

13 BY MR. JULIAN:

14 Q Let's turn back to your testimony in your
15 Declaration on page 4, line 12. Did you agree with
16 Mr. Simon's recommendation?

17 A Yes.

18 Q That in light of the 2018 Northern California
19 wildfires and material deterioration of the debtors'
20 financial condition, the company should exercise its
21 discretion to forego paying to approximately 11,000 of
22 the debtors' employees the 2018 STIP awards?

23 MR. SLACK: I don't know what just happened to
24 that question. I'll object to the form.

25 THE WITNESS: This was a difficult decision. The

1 senior leaders all talked about it and we agreed that
2 it was the better recommendation.

3 BY MR. JULIAN:

4 Q That it was a what?

5 A A better recommendation.

6 Q Better than what?

7 A Better than paying the STIP.

8 Q Why was it a difficult decision in your mind?

9 A STIP is an integral component of the
10 employee's compensation. It affects employee
11 engagement and morale to not be awarded your
12 compensation, and so we were concerned about the
13 impact on employee engagement. We balanced that with
14 the challenges that you see over here and we felt that
15 it was the better decision.

16 Q Which challenges?

17 A The 2018 Northern California wildfire, the
18 deterioration of the financial situation.

19 Q Has PG&E's material deterioration of its
20 financial situation changed from this decision earlier
21 this year?

22 A At that point in time we had issues accessing
23 liquidity. Now that we are in a Chapter 11 process,
24 it's a different process of reorganization.

25 Q Does your answer turn on whether or not the

1 court approves the financing facility?

2 A I'm not familiar with that.

3 Q What about the Chapter 11 filing, in your
4 view, makes it a different situation that changes the
5 debtors' financial situation?

6 A As I understand the Chapter 11, it is an
7 orderly process to address the claims against the
8 company, and prior to entering into Chapter 11, we
9 didn't have such a process.

10 Q The committee adopted Mr. Simon's
11 recommendation to forego the 2018 STIP after the
12 bankruptcy filing occurred, right?

13 A Yes.

14 Q So I'm still at a loss. If the decision was
15 made after the bankruptcy case was already on file,
16 you're already in the bankruptcy case. What is the
17 difference between awarding STIP payments under the
18 2018 program and the 2019 program, in your mind?

19 A So I'm going to explain that the STIP is
20 incentive compensation, which is part of a total
21 compensation for an employee, and it's an annual
22 program. We have a 2018 STIP plan and we're proposing
23 a 2019 STIP plan.

24 In 2018 there were events that occurred, as
25 you know, and in light of those events, the board

1 determined not to make a payout for the 2018 STIP.

2 Q Don't you mean the compensation committee --

3 A The compensation committee.

4 Q -- not the board?

5 A Yes.

6 MR. SLACK: Objection to the form of that
7 question.

8 THE WITNESS: So, again, what I will explain to
9 you is my understanding of the governance, which is
10 that the compensation committee makes the decision for
11 the broad employee base and the board makes the
12 decision for certain key employees.

13 Q But in this instance you don't know whether
14 the board of directors of PG&E, the utility, actually
15 voted to forego paying the line employees the 2018
16 STIP, right?

17 MR. SLACK: Objection to the form of the
18 question.

19 THE WITNESS: Yeah, my understanding is that's
20 not -- the board has delegated that to the
21 compensation committee. That's my understanding of
22 the governance.

23 BY MR. JULIAN:

24 Q And so is it true that you don't know whether
25 the board of directors of PG&E, the full board, the

1 13-member board, actually had a meeting and had a
2 resolution presented to it as to whether or not PG&E
3 utility would forego the 2018 STIP awards?

4 A I do not know that.

5 Q Okay. You mentioned earlier that someone
6 from Willis was at the compensation committee meeting
7 when the decision was made to forego payments. Do I
8 have that right? I think you said someone from Willis
9 was there when the committee approved the 2019 STIP?

10 A Yes.

11 Q Who from Willis was there?

12 A I think it was Doug Friske, and he might have
13 been on the phone. I don't know whether he was in
14 person or on the phone.

15 Q But it was Mr. Friske?

16 A Yes.

17 Q Is PG&E considering any other incentive
18 plans, bonus payment plans or awards, other than the
19 2019 STIP that is the subject of your Declaration?

20 A So my Declaration is the 2019 STIP. In the
21 Declaration I've said that we are considering a key
22 employee retention plan. And our senior leaders are
23 not part of the 2019 STIP, and so we are also
24 considering what I understand is called a key employee
25 incentive plan.

1 Q Okay. Any other plans under consideration?

2 A Not to the best of my knowledge.

3 Q Thank you.

4 Was there any discussion at the compensation
5 committee level about the possibility of wildfires in
6 2019?

7 A So wildfires is a big issue for the company
8 and it's something that the company takes seriously.
9 So as you see in our 2019 STIP, we have measures
10 related to wildfires. So yes, wildfires are part of
11 the consideration of our program.

12 Q Other than that, was the subject of wildfires
13 in 2019 discussed at the compensation committee level?

14 MR. SLACK: Objection to the form.

15 THE WITNESS: The 2019 STIP has components to
16 help mitigate the risk of wildfires in 2019, so yes,
17 from that perspective.

18 BY MR. JULIAN:

19 Q Did anyone during the compensation committee
20 meetings discuss, with you present, that wildfire
21 claims from the wildfire in 2019 could create
22 administrative claims in the bankruptcy case?

23 A Not that I can remember, no.

24 Q Anyone ever discuss that with you, other than
25 counsel?

1 A No.

2 Q Did the compensation committee discuss
3 whether problems created by a while fire caused by
4 PG&E's equipment should cause the company to increase
5 its metric weighting for wildfire mitigation from 10
6 percent to something higher?

7 A The compensation committee reviewed the
8 metrics. I don't remember a specific discussion about
9 that.

10 Q Did you say the compensation company reduced?

11 A Reviewed, reviewed all of our metrics.

12 Q Did the compensation committee discuss
13 whether it was fair for an employee who might have
14 contributed to the fires in 2017 and 2018 receiving
15 STIP awards in 2019?

16 MR. SLACK: Objection to the form.

17 THE WITNESS: So the STIP is a forward-looking
18 program, and it's designed to incentivize the
19 employees for the work that they do in 2019. It's my
20 judgment that employees should be paid for the work
21 that they do. If there is an issue with an employee,
22 that is a separate matter that is dealt with in terms
23 of whatever that might -- whatever that event might
24 have been.

25 BY MR. JULIAN:

1 Q Is it true that there's no provision in the
2 2019 STIP or the 2019 metrics for reducing an
3 employees' STIP award by virtue of the employees
4 negligence in the year prior to 2019?

5 MR. SLACK: Objection to the form of the
6 question.

7 THE WITNESS: So, again, I will say the 2019 STIP
8 is designed for the work that is done in 2019. If an
9 employee is found to have done something, whatever
10 that might be, there's a separate process to deal with
11 that event, including and up to termination of the
12 employee.

13 BY MR. JULIAN:

14 Q Did anyone on the compensation committee, in
15 your presence, discuss whether the 2019 STIP awards in
16 the metrics should have a provision to reduce the
17 employee STIP awards by virtue of the employees'
18 contribution to any of the fires that have taken place
19 in the years prior to 2019?

20 MR. SLACK: Objection to the form.

21 THE WITNESS: I'm not aware of any findings of
22 employees. And, again, as I'll say, the 2019 STIP is
23 designed to reward employees for the work they do in
24 2019.

25 BY MR. JULIAN:

1 Q That wasn't my question. My question was:
2 Was there any discussion at the compensation committee
3 level about potentially putting a metric in there, in
4 the 2019 STIP, that would permit the company to reduce
5 the STIP award by virtue of the employees'
6 contributions to the fires in 2017 and 2018.

7 MR. SLACK: I think it's asked and answered.
8 I'll object to the form.

9 BY MR. JULIAN:

10 Q Go ahead.

11 A As my counsel says, it's been answered.

12 Q I want you to answer it again. I don't think
13 it was answered.

14 MR. SLACK: Okay. So I object that that's not a
15 question. And, you know, I object to the form of
16 whatever that was.

17 THE WITNESS: As I understand your question, it
18 is does the 2019 STIP have a provision to reduce
19 employee pay for events that occur outside of 2019?

20 BY MR. JULIAN:

21 Q No.

22 A No.

23 Q I want to make it easy on you.

24 A Yeah.

25 Q Let's approach it this way. Did you attend

1 compensation committee meetings dealing with the 2019
2 STIP?

3 A Yes.

4 Q Were there discussions at that meeting?

5 A Yes.

6 Q Verbal discussions, correct?

7 A Yes.

8 Q Did anyone discuss, verbally, the idea of
9 reducing STIP awards in 2019 by reason of the
10 employees' contribution to wildfires in 2017 and 2018?

11 A No.

12 MR. SLACK: Objection to the form of the
13 question.

14 THE WITNESS: Again, we did not talk about
15 employee conduct in prior years as part of the
16 discussion of the 2019 STIP.

17 MR. JULIAN: Can I have the last answer read
18 back.

19 (Record read.)

20 BY MR. JULIAN:

21 Q Did the compensation committee discuss PG&E's
22 responsibility for the San Bruno gas explosion?

23 MR. SLACK: Objection to the form of the
24 question.

25 THE WITNESS: When we were talking about the 2019

1 STIP, we were focused on the metrics and targets of
2 2019.

3 BY MR. JULIAN:

4 Q Is that a no?

5 MR. SLACK: Objection to the form of the
6 question.

7 THE WITNESS: I do not remember us discussing the
8 San Bruno explosion when we were talking about the
9 2019 STIP.

10 BY MR. JULIAN:

11 Q Did the compensation committee ever discuss
12 the San Bruno gas explosion at a meeting that you were
13 present at, whether or not it had to do with 2019 or
14 not?

15 A I really don't remember.

16 Q You really don't what?

17 A Remember.

18 Q At any meeting of the compensation committee
19 that you attended, did the committee discuss the
20 jury's finding that PG&E knowingly and willfully
21 violated gas safety laws?

22 MR. SLACK: Objection to the form of the
23 question.

24 THE WITNESS: I don't remember.

25 BY MR. JULIAN:

1 Q At any compensation committee meeting that
2 you attended, did the committee discuss the jury's
3 finding that PG&E obstructed the NTSB's investigation
4 of the San Bruno gas explosion?

5 MR. SLACK: Objection to the form of the
6 question.

7 THE WITNESS: I don't remember.

8 BY MR. JULIAN:

9 Q Did the compensation committee discuss PG&E's
10 responsibility for the 2015 Butte fire?

11 MR. SLACK: Objection to the form of the
12 question.

13 THE WITNESS: I don't remember.

14 BY MR. JULIAN:

15 Q Did the compensation committee discuss PG&E's
16 alleged responsibility for some of the 2017 Northern
17 California fires?

18 MR. SLACK: Objection to the form of the
19 question.

20 THE WITNESS: The compensation committee
21 considered the importance of wildfire mitigation. And
22 the plan that we have is informed by the threat of
23 wildfire for the company. So in that sense the
24 compensation committee has been -- has had the risk of
25 wildfire in mind. I don't remember the specific

1 rulings that you're talking about.

2 BY MR. JULIAN:

3 Q Okay. Were you employed by PG&E during the
4 first bankruptcy case, PG&E in 2001?

5 A I have been employed at PG&E since 1994.

6 Q So that would be a yes, right?

7 A Yes.

8 Q In considering the 2019 STIP, did the
9 compensation committee consider Judge Montali's
10 decision with respect to the management retention
11 program that he set forth in a written decision, which
12 I've got? But you don't have to read it if you don't
13 remember.

14 A I don't know that.

15 Q Okay. Did the compensation committee discuss
16 CAL FIRE'S determination that PG&E violated
17 tree-trimming laws in the areas of the 2017 fires?

18 MR. SLACK: Objection to the form of the
19 question.

20 THE WITNESS: Well, the compensation committee
21 has access to the information that you have access to.
22 As I said, the threat of wildfire is a serious threat
23 for the company and it's considered as we've designed
24 our STIP. So, again, I don't remember the specific
25 rulings that you're talking about and whether those

1 were discussed at the compensation committee.

2 BY MR. JULIAN:

3 Q Take a look at Exhibit 6. Exhibit 6 is dated
4 April 28, 2016. It's entitled "CAL FIRE investigators
5 determine cause of the destructive Butte fire." Did
6 the compensation committee consider this document?

7 MR. SLACK: Objection to the form of the
8 question.

9 MR. KAROTKIN: Is there like a time frame for
10 that or ever?

11 MR. JULIAN: Ever.

12 MR. SLACK: I object to the form of the question.

13 THE WITNESS: I really don't remember. Yeah, I
14 don't remember.

15 BY MR. JULIAN:

16 Q In the compensation committee meetings that
17 you attended, do you remember anyone ever saying, hey,
18 CAL FIRE says that some of our equipment caused the
19 2017 fires?

20 MR. SLACK: Objection to the form of the
21 question.

22 THE WITNESS: At the compensation committee
23 meetings that I have attended, there is knowledge that
24 there are CAL FIRE reports and that the CAL FIRE
25 reports have said that PG&E equipment was involved in

1 wildfires. That's part of our understanding of the
2 risk associated with our business, and so we've
3 designed our plan to mitigate that threat.

4 BY MR. JULIAN:

5 Q Did the compensation committee ever discuss
6 creating a metric that would reduce an employee's
7 compensation by virtue of the employee's work
8 contributing to any of those fires?

9 MR. SLACK: Asked and answered. Objection to the
10 form.

11 THE WITNESS: So if I understand your question,
12 we did not talk at the compensation committee about
13 impacting the 2019 STIP for actions that occurred in
14 prior years.

15 BY MR. JULIAN:

16 Q Okay. Take a look at Exhibit 11, please.

17 A 11?

18 Q Yes. This is the Public Utilities
19 Commission's December 14, 2018, order instituting
20 investigation and order to show cause regarding the
21 falsification of gas records dealing with the location
22 of utility lines when contractors excavate land in
23 California. Have you ever seen this before?

24 A I'm aware of the issue. I'm not sure that
25 I've seen this particular OII ruling.

1 Q When you say you're aware of the issue, what
2 issue is that?

3 A The issue of the PUC's investigation into the
4 locate and mark practices of the gas site.

5 Q Did the compensation committee discuss
6 delaying any consideration of paying STIP awards to
7 employees who might have falsified records that are
8 discussed in the PUC order to show cause?

9 MR. SLACK: Objection to the form of the
10 question.

11 THE WITNESS: Certain employees who are involved
12 with this are no longer with the company. The STIP
13 program was not modified for the locate and mark
14 issues.

15 BY MR. JULIAN:

16 Q How do you know that some of the employees
17 involved with this are no longer employed with the
18 company?

19 A I don't know how to answer that question.

20 Q How many employees were involved with the
21 alleged falsification of records that are no longer
22 with the company?

23 A There are -- I'm trying to remember. There
24 are certain employees who are no longer with the
25 company. I don't really know the whole number.

1 Q Do you know which employees are involved in
2 this issue?

3 MR. SLACK: Objection to the form of the
4 question.

5 THE WITNESS: I know that there was an
6 investigation done and certain employees were named in
7 that investigation.

8 BY MR. JULIAN:

9 Q Who conducted the investigation?

10 A It was --

11 MR. SLACK: I'm going to instruct you not to be
12 disclosing anything that was done as a matter of
13 legal. I don't know whether this was or wasn't. But
14 I am going to instruct you to not answer with respect
15 to any investigation done by legal, at least without
16 taking a break and talking to me. Now, if it had
17 nothing to do with the legal department, you know, go
18 ahead and answer if it's not a privilege issue.

19 THE WITNESS: Yeah, there was an investigation
20 that was conducted by a group called Guidepost. That
21 report has been filed with the Public Utilities
22 Commission. And I don't remember the report because
23 it's been a while since I read it, but there are
24 employees named in that report.

25 BY MR. JULIAN:

1 Q Did PG&E do anything to independently verify
2 the employees named in that report had actually
3 falsified gas records?

4 A I don't know.

5 Q Turn to Exhibit 15. This is one of Judge
6 Alsup's orders to show cause. This one is dated
7 March 5, 2019. Have you read this one?

8 A No.

9 Q Did the compensation committee consider
10 Judge Alsup's March 5, 2019 ruling, which is
11 Exhibit 15?

12 MR. SLACK: Objection to the form of the
13 question.

14 THE WITNESS: I don't remember us talking about
15 specific rulings as part of the discussions of the
16 compensation committee.

17 BY MR. JULIAN:

18 Q So this one is dated March 5, 2019. Has the
19 compensation committee even met since then?

20 A That's a good question. We are now at
21 March 19th. Probably not, yeah.

22 Q So let's go back to Exhibit 13, which is
23 Judge Alsup's January 9, 2019, Order To Show Cause Why
24 PG&E's Conditions on Probation Should Not Be Modified.
25 Did the compensation committee consider this order to

1 show cause?

2 A Again, as I said, I don't remember the
3 compensation committee talking about particular
4 rulings.

5 Q So in this order, Judge Alsup said he was
6 going to -- or he was considering imposing new
7 conditions of probation which would deal with wildfire
8 mitigation. And I'll just represent that to you, that
9 that what it involves generally.

10 My question to you is did the compensation
11 committee discuss postponing adoption of the 2019 STIP
12 until the compensation committee heard what kind of
13 wildfire mitigation program Judge Alsup was going to
14 impose on PG&E in 2019?

15 MR. SLACK: Objection to the form.

16 THE WITNESS: So if I can understand your
17 question. There's actually two things that happened.
18 There is having a STIP program and then there's making
19 a payment under the STIP program. We had a STIP
20 program in 2018. We're proposing to have a STIP
21 program in 2019. That's part of the ongoing
22 compensation of our employees.

23 The committee retains the discretion to make
24 a payout under the program. So they continue to have
25 that discretion for 2019. We did not talk about not

1 having a program because it's just an important part
2 of the overall compensation package of employees.

3 BY MR. JULIAN:

4 Q So one of the things you just said is the
5 committee retains the discretion to not pay out the
6 STIP awards in 2019, right?

7 A Yes.

8 Q And how would that work, actually? Take me
9 through the procedure of how that issue would come up
10 on a quarterly basis.

11 A So on a quarterly basis we would determine
12 the performance compared to the targets that have been
13 set, internal audit reviews. Then it goes to the
14 compensation committee for their consideration and
15 then they approve the payments.

16 Q And the performance that the internal audit
17 would look at would be the performance of the company
18 as a whole and not individual employees' performances,
19 right?

20 A Yes.

21 Q And the performance as a whole of the company
22 would be looked at as the 2019 performance and not
23 prior years?

24 A Correct.

25 Q And would the audit team make a

1 recommendation to the compensation committee of,
2 qualitatively, whether to make the payment or just
3 what the performance metrics met?

4 A The internal audit team would validate the
5 calculation of the performance metrics.

6 Q It would be up to the compensation committee
7 to exercise its discretion whether or not to award the
8 STIP awards to the line employees, right?

9 A Yes.

10 Q And would the compensation committee, under
11 the 2019 STIP, have the discretion to award incentive
12 payments to some employees and not others?

13 A Yes.

14 Q And could they take into account whether the
15 employees contributed to fires in 2019?

16 A The compensation committee has full
17 discretion to make an adjustment.

18 Q Does the compensation committee have full
19 discretion to make an adjustment on 2019 STIP awards
20 based upon the employees' conduct in 2017 and 2018?

21 A I suppose in theory since they have full
22 discretion, I would guess.

23 Q Has that topic been discussed at the
24 compensation committee?

25 A No.

1 Q Has the compensation committee requested that
2 the company investigate which employees, if any, were
3 responsible for the 2017 fires?

4 MR. SLACK: Objection to the form of the
5 question.

6 THE WITNESS: So I'm not aware of a finding of
7 fault of employees and I'm not aware of investigations
8 that are occurring or may occur.

9 BY MR. JULIAN:

10 Q Has the compensation committee requested --

11 A Not to my knowledge.

12 Q Okay. Let me start over.

13 A I'm sorry.

14 Has the compensation committee -- you're
15 trying to be helpful, I get it. You're fine. Let me
16 start over.

17 Has the compensation committee requested
18 anyone at PG&E to investigate whether any PG&E
19 employees failed to properly investigate the PG&E
20 equipment that may have caused the fires in 2017?

21 MR. SLACK: Objection to the form of the
22 question.

23 BY MR. JULIAN:

24 Q If that's too convoluted, I'll withdraw it
25 and try again.

1 A Yeah, could you.

2 Q Yeah, I will. I'm going to make this one
3 simple.

4 Has the compensation committee asked anyone
5 at PG&E to investigate whether any of the PG&E
6 employees had any responsibility for the 2017 fires?

7 MR. SLACK: I'm still going to object to the
8 form.

9 You can answer.

10 THE WITNESS: Yeah, what do you mean by
11 responsibility?

12 BY MR. JULIAN:

13 Q Yeah, so let's go over it.

14 A Yeah.

15 Q Has the compensation committee asked anyone
16 at PG&E to determine which employees failed to
17 supervise, if any, tree trimming that may have
18 contributed to the fires?

19 MR. SLACK: Objection to the form.

20 You can answer.

21 THE WITNESS: The compensation committee does not
22 get into individual-level details. The compensation
23 committee reviews the program as a whole for the
24 company, reviews the structure of the program, reviews
25 the performance of the company against the targets.

1 BY MR. JULIAN:

2 Q Got it.

3 A So I don't remember individual conversations
4 that the compensation committee had.

5 Q I get how your program works. So my question
6 is: Isn't it true that you do not anticipate the
7 compensation committee, in 2019, reducing STIP awards
8 by virtue of what employees did in 2017 and 2018?

9 MR. SLACK: I'll object to the form of the
10 question.

11 THE WITNESS: I guess what I would say is the
12 compensation committee has full discretion. I don't
13 know what factors they would use to determine their
14 discretion. Historically, the compensation committee
15 has not looked at prior performance in adjusting an
16 individual STIP.

17 BY MR. JULIAN:

18 Q And you don't anticipate them doing that in
19 2019, do you?

20 MR. SLACK: Objection to the form of the
21 question.

22 THE WITNESS: That's hypothetical. I don't know.

23 BY MR. JULIAN:

24 Q Okay. Who first recommended -- withdraw the
25 question.

1 Who first brought up the idea that the 2019
2 STIP should be paid quarterly rather than annually?

3 A I don't remember who first. I remember it
4 being part of our deliberations, but I don't remember
5 who initiated that.

6 Q Can you say whether it was someone in the
7 company as opposed to an adviser who came up with
8 that?

9 A Well, we have -- there is a compensation
10 group within HR that spends a lot of time thinking
11 about compensation. They have conversations with
12 advisers that I'm not a part of. So I don't know
13 where in that conversation process the idea emerged.

14 Q Got it.

15 Mr. Mistry, let's go back to your
16 Declaration, Exhibit 1, page 3. Are you on page 3?

17 A Yes.

18 Q Let's turn to line 22. Your testimony says,
19 "These annual incentive plans have been successful in
20 realizing key operational objectives by aligning
21 eligible employees' interests with those of the
22 debtors and effectively linking cash awards under the
23 incentive plans to the overall safety, performance,
24 and efficiency of the debtors' obligations," correct?

25 A Yes.

1 Q Was public safety a key operational objective
2 of PG&E in the past decade?

3 A Yes.

4 Q How did the incentive plan contribute to
5 avoiding the 2010 San Bruno gas explosion?

6 MR. SLACK: Objection to the form of the
7 question.

8 THE WITNESS: When we put the incentive plans
9 together, we generally think about what is important
10 for the business based on the knowledge that we have
11 at that point in time. And we design our metrics and
12 our targets based on that. It isn't a plan that can
13 conceive of any -- of every possible thing that could
14 happen.

15 BY MR. JULIAN:

16 Q Did PG&E change its metrics for safety, in
17 any respect, in response to the jury's finding that
18 PG&E committed knowing and wilful gas safety
19 violations?

20 MR. SLACK: Objection to the form of the
21 question.

22 THE WITNESS: We learned from the San Bruno
23 explosion and we brought in a whole new gas management
24 team that brought gas expertise that changed the
25 metrics that we put in the short-term plan. And so

1 every year we do that. Every year we learn from
2 something that happened in the prior year or the
3 expertise that a new leader might bring to the
4 company, and we incorporate that as we design the
5 plan.

6 BY MR. JULIAN:

7 Q What metrics were changed in response to the
8 jury finding that PG&E committed intentional safety
9 violations?

10 MR. SLACK: Objection to the form of the
11 question.

12 THE WITNESS: When we design the metrics, we
13 think about the safety of the gas system. We brought
14 in a new leader. His name was Nick Stavropoulos. And
15 Nick talked about the importance of being able to have
16 gas pipelines be inspected with inline inspection
17 methodologies. And so we put those metrics into our
18 STIP, and that's been part of our STIP for a period of
19 time.

20 BY MR. JULIAN:

21 Q Which metric did you put in the STIP in that
22 regard?

23 A It was gas, pipeline replacement, and gas
24 inline inspection.

25 Q I don't see that on page 10. Can you point

1 it out to me?

2 A I'm sorry, page 10 is my signature page.

3 Q I'm sorry, page 7.

4 A It would be the one on line 13, first-time
5 ILI miles.

6 Q So that metric was not in the STIP prior to
7 the jury's conviction of PG&E for gas safety
8 violations?

9 A That metric was not in the STIP prior to the
10 San Bruno explosion.

11 Q Which was 2010? It came after 2010, the
12 metric?

13 A Yes.

14 Q Got it.

15 How was the annual incentive plan successful
16 in avoiding the 2017 Northern California fires?

17 MR. SLACK: Objection to the form of the
18 question.

19 THE WITNESS: Well, as I said, the annual plan is
20 designed based on our understanding of what is
21 important to run an electric and gas system. And you
22 can see that it has a variety of measures that we
23 think are important. Just having the plan in place
24 does not mean that an unfortunate occurrence could not
25 happen, but the plan is effective in that it aligns

1 the employees' incentives with the goals of the
2 company so that we are all working together to improve
3 safety and the various other measures that are here in
4 the plan.

5 BY MR. JULIAN:

6 Q Take a look at Exhibit 5. I take it you
7 haven't seen Exhibit 5 before?

8 A No.

9 Q Okay. This is an e-mail chain among a bunch
10 of PG&E employees and --

11 MR. SLACK: Could you identify for the record
12 what the Bates number is to this, what is this from.

13 MR. JULIAN: This is PGE-NBF-TAR-722832 through
14 833. It's marked "Confidential," but Kevin Persini
15 wrote to Steve Campora and said it was no longer
16 confidential.

17 MR. SLACK: I'm just saying, what was this
18 produced in?

19 MR. JULIAN: State quarterly issue, I'm informed.
20 I wasn't involved, so I got it from Mr. Campora.

21 MR. SLACK: Thank you.

22 BY MR. JULIAN:

23 Q I'll use this as an illustrative document
24 with respect to your testimony about how the STIP has
25 promoted safety. This February 25, 2014 e-mail, on

1 the first page has a report on the Caribou Palermo
2 line, which is in the area of the Camp Fire, which the
3 PG&E employee said that they were going to give a less
4 than 200 score for the observations on this particular
5 tower. And in the paragraph under Caribou Palermo,
6 the employee said there's "No likely public safety
7 issue with live wires down because it is in a remote
8 area. The reliability score is not that high because
9 although the likelihood of failed structures happening
10 is high, the affected customers are likely in the
11 order of greater than 1,000."

12 First, in your job as dealing with HR, do you
13 ever have an opportunity to see, to review your PG&E
14 employees' e-mails for any purpose at all?

15 A No.

16 Q Got it.

17 So this e-mail purports to show, in my view,
18 that the PG&E employee knew that the likelihood of
19 failed structures on the Caribou Palermo line was
20 high, but apparently PG&E didn't do anything about it.

21 So how does the incentive plan that looks at
22 company-wide performance incentivize employees who are
23 on this very e-mail to report to someone in
24 management, hey, you've got a problem on the Caribou
25 Palermo line, that the risk of a structure failing is

1 high, do something about it?

2 MR. SLACK: Objection to the form.

3 BY MR. JULIAN:

4 Q How does it incentivize people on this e-mail
5 to do something about learning about this risk of harm
6 that is in this e-mail?

7 MR. SLACK: Objection to the form of the
8 question.

9 THE WITNESS: The 2019 STIP is designed for
10 company-wide objectives. Individuals who are working
11 on individual issues, there are a variety of forums
12 for individuals to discuss those issues. We promote a
13 speak-up culture. It is important to us that
14 employees raise issues and concerns, and we have a
15 variety of mechanisms for them to do that. We've
16 talked about that. There is a compliance and ethics
17 help line, there is a federal monitor help line, there
18 is a cap process. They can call human resources if it
19 is an employee relations type of issue.

20 So I don't know that there's a relationship
21 between a company-wide broad STIP program and
22 employees who are working on an individual project.
23 Employees still should be working on the individual
24 projects, but as we set our goals, our goals should be
25 aligned to what the goals that are important for the

1 company, which is we've laid out our safety financial
2 performance and customer satisfaction -- or a customer
3 view.

4 BY MR. JULIAN:

5 Q I'll give you another example. Let's go to
6 Exhibit 7. This is another confidential document that
7 I saw an e-mail correspondence between Mr. Persini and
8 Mr. Campora that says it's no longer confidential.
9 It's document PGE-NBF-TAR3250382, with an Excel
10 spreadsheet that is unmarked attached to it.

11 This is a near hit report, called a weekly
12 near hit report. Do you know what a weekly near hit
13 report is?

14 A I know that we have been -- "we," as in the
15 operational teams, have a process where they talk
16 about near hits. And the reason for talking about
17 near hits is to learn from events that might have
18 occurred, but did not occur, so that we become safer.

19 Q Give me an example of a near hit, an event
20 that might have occurred but didn't occur.

21 A An employee was backing up a truck and could
22 have hit a structure but did not, but had a
23 recognition that they came very close to the
24 structure, that would be a near hit. Instead of just
25 moving on, they have a conversation about this event

1 occurred, it could have resulted in a hit, what
2 learning do we have from that event.

3 Q And does PG&E have a policy that tells its
4 employees you should report near hits?

5 A We encourage our employees to report near
6 hits.

7 Q So you can avoid an actual hit in the future?

8 A That's the idea.

9 Q So in this near hit on the -- that I've
10 highlighted the last page, there's a near hit reported
11 on a transmission line on the Caribou Palermo. That's
12 the line that had the tower that failed in the Camp
13 Fire. You've read about that in you are AK, right?

14 A Yes.

15 Q And this says that the "Contractor employee
16 was working on lattice tower 011/099 on the Caribou
17 Palermo 111kV line executing work of recoating tower.
18 From working position, he reached to reposition
19 himself, grasping a piece of flat cross bracing when
20 the J hook hardware used to secure the flat bracing to
21 the tower leg failed and broke the J part of the J
22 hook hardware. It appears as though about 20 percent
23 of the thickness of the bolt had been compromised
24 through corrosion."

25 And you have read the 8-K of PG&E that talked

1 about a C hook failing on the Caribou Palermo line
2 which may have led to the electrical wire falling down
3 on the tower and causing sparks that caused the fire?
4 You read about that, right?

5 MR. SLACK: Objection to the form.

6 THE WITNESS: I am aware of the C hook on the
7 Caribou Palermo line, and yes.

8 BY MR. JULIAN:

9 Q So my question is, in light of these two
10 factors, how can you say in your Declaration, on
11 page 3, that the annual incentive plans -- I am sorry,
12 page 3, line 22, how can you say that your annual
13 incentive plans have been successful in realizing key
14 operational objectives?

15 MR. SLACK: Objection to the form of the
16 question.

17 THE WITNESS: We design our objectives based on
18 our knowledge of what is important for running an
19 electric and gas system. We have been successful in
20 many instances in accomplishing what we set out to do.
21 In some instances we have not been able to accomplish
22 this, and that's reflected in the payouts.

23 BY MR. JULIAN:

24 Q Do near hits impact compensation in any way?

25 MR. SLACK: Objection to the form of the

1 question.

2 THE WITNESS: Can you explain that some more.

3 BY MR. JULIAN:

4 Q Yeah. Does the employee who has a near hit
5 have his compensation reduced by virtue of the near
6 hit in any way?

7 A No.

8 Q I wouldn't expect it to. Okay.

9 Has the compensation committee ever discussed
10 changing the metrics to be individually-based rather
11 than company-wide performance-based?

12 A Not that I recall because our metrics have a
13 company-wide and then there's an individual
14 performance multiplier. So both the individual's
15 performance and the company's performance are
16 considered.

17 Q In 2019 the individual multiplier cannot be
18 used for employees to drive the STIP award down,
19 right?

20 A That is correct.

21 Q In 2018 and 2017, the individual multiplier
22 could be used to drive the STIP award down, right?

23 A Yes.

24 Q Down to zero?

25 A Down to zero.

1 Q And that doesn't exist anymore, right?

2 A For 2019 that does not exist.

3 Q And the reason why you recall the
4 compensation committee changing it was because it
5 received some advice that that's what they should do
6 in bankruptcy; is that right?

7 A So the design of the 2019 STIP, as you can
8 imagine, has evolved as we are learning more in this
9 restructuring situation that we were in. The idea was
10 to have the 2019 STIP be metric-based and have less
11 focus on individual judgment. But as we thought about
12 it some more, we realized that there are individuals
13 who really do perform above and beyond and we wanted
14 to have a vehicle to be able to recognize that.

15 Q Who came up with that idea?

16 A Again, I can't remember who initiated it, but
17 it was part of our ongoing discussions.

18 Q Did you agree with it?

19 A Yes.

20 Q Did you propose that for individuals who go
21 way below and beyond and cause fires should have their
22 STIP awards reduced?

23 MR. SLACK: Objection to the form of the
24 question.

25 THE WITNESS: So if an individual -- if there are

1 challenges within an individual's performance, we have
2 a process to address those challenges. The STIP is an
3 employee compensation and incentive program. They are
4 two different things.

5 BY MR. JULIAN:

6 Q That's not my question. My question is not
7 what you have. My question is what was discussed. Do
8 you understand that?

9 A No.

10 Q Okay. You said a moment ago that it was
11 discussed in committee that if individuals go above
12 and beyond what they're supposed to do, there ought to
13 be a way to increase their STIP award from the
14 baseline target, right?

15 A I'm sorry, I didn't say that was discussed in
16 committee. That was discussed among us who were
17 putting the plan together.

18 Q All right. So who was putting he plan
19 together in that regard?

20 A A compensation group in HR, working with the
21 lines of business, with representatives of the lines
22 of business, and with our advisers, Willis.

23 Q And you and your compensation folks who work
24 with you were discussing with the compensation
25 advisers the 2019 STIP, right?

1 A Yes.

2 Q And in those discussions you discussed if an
3 individual's work went above and beyond what he was
4 supposed to do, you ought to have a mechanism to
5 increase his STIP award from the baseline target?

6 A Yes.

7 Q Upward?

8 A Yes.

9 Q During those conversations, did you all
10 discuss reducing the STIP award the other way if the
11 individual's work went below the baseline target
12 performance standards?

13 MR. SLACK: Objection to the form. Asked and
14 answered.

15 THE WITNESS: So our historic STIP, as I've said,
16 had that evaluation done for all of our employees.
17 It's an annual evaluation. And in the 2019 STIP we
18 were really trying to simplify the administration of
19 the STIP. And so we kept the individual performance
20 multiplier only up to 10 percent of people who go
21 above and beyond. Because we feel that we are in a
22 time of challenge for the company and we want to keep
23 people motivated. We did not talk about reducing the
24 STIP for 2019 based on individual performance.

25 BY MR. JULIAN:

1 Q Did you personally consider that side of the
2 coin?

3 A Yes.

4 Q You personally considered whether to reduce
5 it?

6 A I personally considered whether we should
7 keep the individual performance multiplier process
8 that we had in prior years in the 2019 STIP, which had
9 an up and a down.

10 Q And did you discuss your thoughts on that
11 with the compensation committee?

12 A I don't remember. I discussed it with a
13 compensation group that I work with, but I don't
14 remember if I discussed it with the committee.

15 Q Did you discuss it with board member?

16 A Not that I remember.

17 Q Did the pre-2019 STIPs have any metric
18 related to the absence or number of consumer
19 complaints?

20 A In the recent past, no, because we used a
21 different measure, which was a customer satisfaction
22 score.

23 Q How was customer satisfaction determined in
24 the metrics for 2018?

25 A There is a survey that is performed by a

1 third party of our customers, and then based on that
2 perception survey, customer satisfaction is
3 determined.

4 Q How was customer satisfaction proposed to be
5 determined under the 2019 STIP?

6 A Under the 2019 STIP we proposed escalated
7 customer complaints to the CPUC.

8 Q In what regard?

9 A There's a process for customers to escalate
10 their complaints to the CPUC, and we decided to use
11 that metric instead of the sat -- the perception
12 survey.

13 Q Instead of the staff perception survey?

14 A Instead of the perception survey.

15 Q Which is a perception of employees?

16 A I'm sorry, the customer perception survey. A
17 customer satisfaction survey, which is a perception
18 survey.

19 Q And how was the customer survey done in the
20 past?

21 A The customer survey is continuing to be done.
22 It's done by a third party.

23 Q Got it.

24 A It is phone calls, online. They pick a
25 segment of customers.

1 Q So in the immediate past, 2017, 2018, there
2 was a metric for the STIP awards that dealt with
3 customer satisfaction?

4 A Yes.

5 Q And customer satisfaction turned on your
6 independent contractor's report of the survey of the
7 customers of how they were satisfied, right?

8 A Yes. So there was a customer satisfaction
9 survey that's performed, and based on the results of
10 that, informed the STIP.

11 Q And under the 2019 STIP, you proposed to have
12 customer satisfaction determined solely by escalated
13 complaints to the PUC, right?

14 A Yes.

15 Q Well, that's going to give you a lower number
16 of complaints, right?

17 MR. SLACK: Objection to the form of the
18 question.

19 THE WITNESS: I don't understand that.

20 BY MR. JULIAN:

21 Q Oh, yes you do.

22 A No, I don't.

23 Q Is there --

24 MR. SLACK: Stop, that's not appropriate. Wait
25 for a question.

1 And you shouldn't be argumentative.

2 THE WITNESS: Sorry.

3 MR. SLACK: Not you. You're doing fine.

4 Can you just read that back. I don't know
5 that that was a question. I think that was just a
6 statement.

7 MR. JULIAN: I'm going to withdraw it.

8 MR. SLACK: Okay.

9 BY MR. JULIAN:

10 Q Your counsel is right. I'm just seeing if
11 he's awake.

12 So don't you anticipate that there will be
13 fewer customer complaints escalated to the PUC than
14 customer complaints that could be registered by a
15 survey?

16 MR. SLACK: Objection to the form.

17 THE WITNESS: They're are two different things.
18 The customer satisfaction survey is a perception of
19 how the customer views PG&E. It is a survey that is
20 sent out to groups of customers. And I don't
21 remember, I don't know the exact questions, but it's
22 designed to understand their perception of their
23 interactions with PG&E. It isn't about their
24 complaints. It is about the perception of their
25 interactions with PG&E.

1 BY MR. JULIAN:

2 Q Why did you change it?

3 A We changed it because we think in a
4 restructuring environment it isn't an appropriate
5 thing to do a customer perception survey. We think
6 the better metric is if our services are dissatisfying
7 to our customers, they will complain and we want to
8 track that.

9 Q Do customers ever register complaints with
10 PG&E as opposed to the PUC?

11 A The way the process works is they register
12 the complaint with PG&E. If that is not
13 satisfactorily resolved, they escalate it to the PUC.

14 Q Who are the "they"?

15 A The customers.

16 Q During the compensation committee meetings
17 that you attended, did any of the directors discuss
18 whether they were independent, sufficient to sit on
19 the compensation committee?

20 MR. SLACK: Object to the form. I'm just going
21 to object.

22 You can answer.

23 THE WITNESS: Well, the board members who sit on
24 the compensation committee are independent board
25 members. So I'm not sure I understand. Would they

1 actually be discussing the facts that they were
2 independent?

3 BY MR. JULIAN:

4 Q Yeah, did that ever come up?

5 A Not that I recall.

6 Q You said the compensation committee has the
7 discretion to not award STIP compensation in 2019,
8 right?

9 A Yes.

10 Q And, theoretically, they have the right to
11 take into account anything an employee did at any
12 other time, right?

13 A Since they have full discretion, I would
14 assume so.

15 Q Have you heard that some of the directors who
16 sit on the compensation committee have been sued in
17 state court?

18 A I do not know that.

19 Q Let me see if I can refresh your memory.

20 Have you heard that some of the directors who
21 sit on the compensation committee have been sued for
22 failing to exercise proper oversight over employees
23 who may have contributed to the fires?

24 A I have not.

25 Q Was there any discussion on the compensation

1 committee as to whether or not the members of the
2 compensation committee, the directors have a conflict
3 by virtue of being sued for failing to oversee the
4 employees that they were addressing metrics for?

5 MR. SLACK: Objection to the form.

6 THE WITNESS: I do not remember any conversations
7 about lawsuits against a committee as part of the
8 discussions that we had.

9 MR. JULIAN: Why don't we take a break.

10 (Recess.)

11 MR. SLACK: We were discussing confidentiality
12 off the record, and there had been and is with, you
13 know, the information that has been provided, an
14 agreement with the advisers that the information is --
15 you know, can be designated confidential and PEO. We
16 don't have a confidentiality stip in the case as a
17 whole. We are prepared to work something out with the
18 counsel for the committees. In the meantime we're
19 going to designate this, again consistent with the way
20 things have been treated with the advisers, as
21 professional eyes only. We are willing to consider,
22 in the interim, before the hearing, you know, working
23 on a mechanism so that it will make it easier on all
24 the parties to potentially file materials with the
25 court. But in the interim, we're going to designate

1 it "Professional Eyes Only," consistent with the
2 advisors's stipulation.

3 MR. JULIAN: Okay. Well, I don't have any
4 authority to agree to anything, so I get it.

5 We're back on the record. Ms. Woltering will
6 do the rest of the questioning.

7 EXAMINATION

8 BY MS. WOLTERING:

9 Q So earlier you discussed that PG&E has a
10 culture that promotes speaking up. Do you remember
11 that?

12 A We encourage speaking up.

13 Q Do you encourage it financially, with
14 financial incentives?

15 MR. SLACK: Objection to the form of the
16 question.

17 THE WITNESS: It's part of our culture, so we
18 encourage people. We provide a number of vehicles for
19 people to speak up. We have a reward and recognition
20 program for spot rewards that potentially could be
21 used for that.

22 BY MS. WOLTERING:

23 Q Is that a financial?

24 A The reward and recognition program is a
25 monetary and nonmonetary program.

1 Q How many monetary awards are given out each
2 year for speaking up?

3 A I don't know.

4 Q What is the dollar value of those awards?

5 A They range from a gift card of a small dollar
6 value to if an employee does a tremendous amount of
7 work, say, for instance, they spend time at a base
8 camp during a wildfire, then there could be a much
9 larger reward that would be a few thousand dollars.

10 Q So when you say a small amount, do you mean
11 \$5?

12 A A gift card would usually be about \$25.

13 Q So somewhere between 25,000 and a couple of
14 thousand?

15 A Somewhere between \$25 and -- rewards and
16 recognitions could go as high as \$10,000 or higher.
17 It's individual cases.

18 Q How many, annually, of those rewards are
19 given out?

20 A I don't know.

21 Q Can you estimate?

22 A I really don't know.

23 Q Okay.

24 A There are dispersed throughout the company.
25 People have discretion to give rewards.

1 Q Did you give any in HR last year?

2 A Yes.

3 Q How many?

4 A I don't know.

5 Q Do you know what the dollar values were?

6 A I think -- they were similar to what I said.
7 There were people in the HR organization who were at
8 the base camp during the wildfires, so we provided
9 them with reward and recognition rewards. People get
10 spot awards for work that they do in the moment. It
11 is a way of having contemporaneous recognition for
12 work that people do.

13 Q In coming up with the 2019 STIP, did you ever
14 consider holding back the STIP payments or a portion
15 of the STIP payments until the end of the year?

16 MR. SLACK: Objection to the form of the
17 question.

18 THE WITNESS: By the design of the STIP, as we've
19 talked about is, it's a quarterly program.

20 BY MS. WOLTERING:

21 Q I'm asking if in coming up with that, that
22 program, did you ever consider holding back or
23 deferring payments under the 2019 STIP until the end
24 of the year?

25 MR. SLACK: Objection to the form of the

1 question.

2 THE WITNESS: I guess I'm confused because the
3 program is quarterly. And so do you mean did we
4 consider it not being quarterly?

5 BY MS. WOLTERING:

6 Q I'm saying prior to actually finalizing the
7 program, where it was determined that it would be
8 quarterly, was it ever discussed that the payout,
9 whether it was -- the metrics were met on a quarterly
10 basis or not, that the financial aspect should be
11 annual or that a portion of it should be annual?

12 A No, we didn't talk about that.

13 Q If an employee -- my understanding -- I'll
14 withdraw that question.

15 My understanding is that the 2019 STIP and
16 not the prior STIPs are designed for, in part,
17 employer retention purposes, correct?

18 MR. SLACK: Objection to the form of the
19 question.

20 THE WITNESS: The STIP in general --

21 BY MS. WOLTERING:

22 Q Yeah.

23 A -- it's an incentive program. When you put
24 the STIP and an employee's base pay together, that's
25 the total compensation we target being at market.

1 Q Okay.

2 A Obviously, if an employee feels engaged,
3 feels compensated fairly, they're going to want to
4 stay with the company. So all good HR programs have a
5 retention component to it. That's part of running a
6 business. You want your employees to be engaged and
7 want to be at the company.

8 Q So prior to the 2019 STIPS, would an employee
9 have to stay until the end of the year to receive
10 their STIP payout?

11 A Yes. So when it was an annual program, the
12 employee would need to be here through the end of the
13 year to receive the payout, unless they retired. And
14 in the case of a quarterly payment, the program is
15 structured so that the employee has to be there
16 through the end of the quarter to receive the payout.

17 Q So employees are no longer incentivized to
18 stay through the entire year, only through the
19 quarter?

20 MR. SLACK: Objection to the form of the
21 question.

22 THE WITNESS: Well, the employee is incentivized
23 to do their work well, to have their goals be aligned
24 with the goals of the company. So I'm not sure I
25 understand.

1 BY MS. WOLTERING:

2 Q They get paid quarterly, so --

3 A Under the 2019 STIP.

4 Q Under the 2019 STIP?

5 A Yeah.

6 Q So they no longer have to wait until the end
7 of the year?

8 A To get the STIP payment.

9 Q To get a STIP payment?

10 A Yes.

11 Q Thank you.

12 Are you personally eligible for a payment
13 under the 2019 STIP?

14 A No, I'm not.

15 Q So for non long-term, incentive plan-eligible
16 employees, why did you increase the STIP payment by
17 25 percent?

18 MR. SLACK: Objection to the form of the
19 question.

20 THE WITNESS: Yeah, I want to clarify. We didn't
21 increase the STIP payment by 25 percent. We increased
22 the participation rate. And the example I used
23 previously, if you had a 10 percent STIP participation
24 rate, for 2019 your STIP participation rate would be
25 12.5 percent. So that's what that is.

1 And we did it because we feel that given the
2 significant uncertainty that the company is facing, we
3 want our employees to feel engaged. And in our
4 judgment, this was a feature that helped on employees'
5 engagement.

6 BY MS. WOLTERING:

7 Q Okay. Who at PG&E has the most knowledge
8 regarding the safety goals of the 2019 STIP?

9 MR. SLACK: Objection to the form of the
10 question.

11 THE WITNESS: We have a chief safety officer, but
12 safety is also the responsibility of each line of
13 business leader. So they work together in formulating
14 the safety objectives.

15 BY MS. WOLTERING:

16 Q So if there was one person at PG&E with the
17 most knowledge regarding the safety goals of the 2019
18 STIP, who would that be?

19 MR. SLACK: Objection to the form of the
20 question.

21 THE WITNESS: I find it hard to say that because
22 safety is a responsibility that is shared across the
23 organization and the operational leaders. So I don't
24 think there's one person who owns safety. Safety is
25 owned across the company.

1 BY MS. WOLTERING:

2 Q Do you have a responsibility for safety with
3 respect to the 2019 STIP?

4 A I have a responsibility for the safety --
5 personally, I have a responsibility for the safety of
6 the employees in HR.

7 Q Are you an expert on the safety aspects
8 covered by the 2019 STIP?

9 A I'm not.

10 Q In the last year have you or has the
11 compensation committee undertaken any analyses or
12 caused them to be undertaken to determine if PG&E's
13 employees are compensated below market?

14 A The analysis that we have undertaken is in
15 connection with our general rate case when we do a
16 total compensation study. And I would say that, to
17 the best of my knowledge, that's the analysis we do as
18 a company.

19 Q Do you believe on a whole that the
20 compensation for PG&E employees who were eligible for
21 the 2019 STIP are below, equal to, or higher than
22 market?

23 MR. SLACK: Objection to the form.

24 THE WITNESS: I go back to the total compensation
25 study that was done for the general rate case. And

1 based on that compensation study, our employees are
2 paid, on average, at market. We target our employee
3 compensation to be at the median of market.

4 BY MS. WOLTERING:

5 Q Are there employees who are eligible for the
6 2019 STIP that are compensated in their base pay above
7 market?

8 A When you do -- when a compensation study is
9 done, it is a study that is a broad -- it looks across
10 the entire employee base and it doesn't look at
11 individual employees. Individual employee
12 compensation is based on their expertise, their
13 tenure, you know, their work experience, and so each
14 individual is going to be different.

15 Q Is there an employee receiving the 2019
16 STIP -- eligible for the 2019 STIP who is paid above
17 market?

18 MR. SLACK: Objection to the form of the
19 question.

20 THE WITNESS: I wouldn't know.

21 BY MR. JULIAN:

22 Q Is that something the compensation committee
23 ever considered?

24 MR. SLACK: Objection to the form of the
25 question.

1 THE WITNESS: So, again, I think the question --
2 we don't -- the studies don't go down to the
3 individual employee level.

4 BY MS. WOLTERING:

5 Q Yes or no, did the compensation committee
6 consider whether employees were paid below, equal to,
7 or higher than market in coming up with the 2019 STIP?

8 MR. SLACK: Objection to the form. Asked and
9 answered.

10 BY MS. WOLTERING:

11 Q Just yes or no it was considered?

12 MR. SLACK: You know, that's now compound.
13 Object to the form. There's two questions. I don't
14 know which question -- do you want the first question
15 answered or the second question answered before he
16 answers? I don't know which question. You've now
17 asked two questions without an answer.

18 THE WITNESS: Okay. I'm a little confused. Can
19 you just repeat the question.

20 BY MS. WOLTERING:

21 Q Yes or no, in coming up with the 2019 STIP,
22 did the compensation committee consider whether the
23 employees eligible for the STIP were compensated at,
24 below, or above market?

25 A The compensation committee does not talk

1 about individual employees, so by default, that would
2 have to be no, because the compensation committee does
3 not talk about individual employees.

4 Q Did you talk about individual groups or teams
5 of employees?

6 A No. Again, we go back to our compensation
7 study, which is done across the company. In looking
8 at the compensation study, we do break it up by groups
9 of employees. And we have the total compensation by
10 level, if you will.

11 Q And did the compensation committee consider
12 whether, by level, 2019 STIP-eligible employees were
13 paid above, below, or at market?

14 A That has not been part of the type of
15 material that we take to the compensation committee.

16 Q What material do you take to the compensation
17 committee?

18 A We take the STIP program, the STIP design,
19 and the metrics and the targets.

20 Q Do you keep a list of what material you
21 consider in getting in preparing the STIP up to the
22 point of taking it to the compensation committee?

23 A You mean do we have drafts of materials
24 before it goes to the compensation committee? Likely.

25 Q Do you keep a record of documents or reports

1 or considerations used in developing the 2019 STIP?

2 A Not to my knowledge. They're likely are
3 drafts of the program, but we do not have a process to
4 maintain our drafts.

5 Q To your knowledge, has anyone working under
6 your direction resigned since PG&E filed for
7 bankruptcy?

8 A Do you mean has anybody in the HR department
9 or any of my direct reports?

10 Q In the HR department.

11 A Yes.

12 Q Any of your direct reports?

13 A No.

14 Q To your knowledge, has anyone left PG&E due
15 to below market compensation since the bankruptcy
16 filing?

17 MR. SLACK: Objection to the form.

18 THE WITNESS: I think people have said that they
19 have left the company due to the uncertainty that the
20 company is facing. I've heard, anecdotally, that not
21 paying the 2018 STIP has had an impact on people's
22 engagement. I have haven't had somebody directly come
23 to me and say I'm leaving the company because my pay
24 is below market.

25 BY MS. WOLTERING:

1 Q As the head of HR, have you undertaken or
2 caused to have undertaken any analysis of attribution
3 since the decision not to pay out the 2018 STIP?

4 MR. SLACK: Objection to the form.

5 THE WITNESS: What does attribution mean?

6 BY MS. WOLTERING:

7 Q Sorry, excuse me, attrition.

8 So have you analyzed how many people have
9 left since the 2018 STIP was not paid?

10 A We do track attrition, and I know that we
11 have the analysis on a year-to-date basis. I have not
12 broken it out by since the STIP was not paid, but
13 that's a very short period of time.

14 Q Do you think the STIP, the 2019 STIP is
15 necessary to properly incentivize management to take
16 appropriate actions to reduce the risk of fires?

17 MR. SLACK: Objection to the form of the
18 question.

19 THE WITNESS: The 2019 STIP is a program that is
20 put in place to incentivize the employees to have
21 goals that are consistent with the company goals.
22 Wildfire is an important risk that the company faces
23 and it's included in the 2019 STIP.

24 BY MS. WOLTERING:

25 Q So then is it your opinion that the 2019 STIP

1 is necessary to properly incentivize senior management
2 to take appropriate actions to reduce the risk of
3 wildfires?

4 MR. SLACK: Objection to the form of the
5 question.

6 THE WITNESS: So I don't know what you mean by
7 necessary. I think that the 2019 STIP is an incentive
8 program. In my judgment, it is an appropriate
9 incentive program for employees to have a fair chance
10 of earning fair compensation while aligning their
11 interests with what is important for the company.

12 BY MS. WOLTERING:

13 Q So let me turn it around the other way.
14 Without the 2019 STIP, do you believe that PG&E
15 employees would fail to take appropriate actions to
16 reduce the risk of wildfires?

17 MR. SLACK: Objection to the form of the
18 question.

19 THE WITNESS: I think that's hypothetical. What
20 I would say is without the 2019 STIP, our employees
21 would feel less engaged.

22 BY MS. WOLTERING:

23 Q If an employee is less engaged, would they be
24 less likely to do their job and mitigate the risk of
25 wildfires?

1 MR. SLACK: Objection to the form of the
2 question.

3 THE WITNESS: Again, that's so hypothetical.
4 What I would say is when an employee is less engaged,
5 they are less focused on their job, whatever that job
6 is.

7 BY MS. WOLTERING:

8 Q If you look at Exhibit 1, your Declaration,
9 on page 10, lines 1 through 3, you say that the STIP
10 is necessary for debtors' continued ability to deliver
11 safe and reliable electric and gas services. Lines 1
12 through 3.

13 MR. SLACK: Page 10 again is his signature.

14 MS. WOLTERING: Did I have the wrong page? I'm
15 sorry. Page 4.

16 MR. SLACK: Page 4, I'm sorry, line what?

17 MS. WOLTERING: 1 through 3. Really lines 2 and
18 3.

19 BY MS. WOLTERING:

20 Q You say the STIP is necessary for the
21 debtors' continued ability to deliver safe and
22 reliable electric and gas services.

23 MR. SLACK: That's not what it says.

24 THE WITNESS: No, that's not what it says.

25 BY MS. WOLTERING:

1 Q Well, the STIP I added. So the quote begins,
2 "The STIP rate is part of a competitive package
3 designed to motivate and incentivize employees who are
4 necessary for the debtor's continued ability to
5 deliver safer and reliable gas and electric services."

6 MR. SLACK: That's closer.

7 BY MS. WOLTERING:

8 Q Okay. In your opinion, in 2017 did PG&E
9 provide safe gas and electric services?

10 MR. SLACK: Objection to the form of the
11 question.

12 THE WITNESS: In 2017 PG&E operated a large
13 electric and gas system. In 2017 there were some
14 devastating wildfires. The system as a whole provided
15 safe and reliable service.

16 BY MS. WOLTERING:

17 Q So it's your testimony that in 2017 PG&E
18 provided safe and reliable electric and gas services?

19 MR. SLACK: Misstates his testimony. Object to
20 the form.

21 THE WITNESS: Yeah, I think you're taken a little
22 piece of what I'm saying and focusing in on it. What
23 I'm trying to say is PG&E runs a large electric and
24 gas system. We provide service to millions of
25 customers. Safety is part of what we do every day.

1 There were terrible wildfires in 2017, but overall,
2 the system operated safely and reliably.

3 BY MS. WOLTERING:

4 Q So yes or no --

5 A It's not a yes or no response.

6 Q I'm going to finish asking my question and
7 then you can answer.

8 Yes or no, overall you believe that PG&E
9 provided safe and reliable gas and electric service in
10 2017?

11 MR. SLACK: Object to the form. Asked and
12 answered.

13 THE WITNESS: So, again, I'm going to tell you
14 what I said. PG&E runs a large electric and gas
15 distribution system. We serve millions of customers.
16 We have had the daily provision of an electric and gas
17 service in a safe and reliable manner. There were
18 devastating wildfires in 2017. There have been -- but
19 the company has delivered safe and reliable electric
20 and gas service.

21 BY MS. WOLTERING:

22 Q Okay. There was a 2017 STIP, correct?

23 A Yes.

24 Q And the 2017 STIP also placed a 50 percent
25 safety metric?

1 A Yes.

2 Q Just like the proposed 2019 STIP?

3 A The percentage on safety is the same.

4 Q Is anyone that reports directly to PG&E's
5 board of directors eligible to receive an award under
6 the 2019 STIP?

7 A No.

8 Q Is anyone that is appointed directly by the
9 PG&E board eligible to receive a payment under the
10 2019 STIP?

11 A No.

12 Q Is anyone that exercises managerial control
13 over PG&E's operations eligible to receive an
14 incentive award under the 2019 STIP?

15 MR. SLACK: Objection to the form of the
16 question.

17 THE WITNESS: So may I explain the management
18 structure of PG&E?

19 BY MS. WOLTERING:

20 Q Sure.

21 A We have a chief executive officer. We have a
22 number of senior vice presidents. And I think
23 together we number about a dozen people. Each one of
24 the senior executives has primary responsibility for a
25 function. So I am the senior executive who has

1 responsibility for human resources. I have a
2 counterpart of electric operations, a counterpart of
3 gas operation, and so on. Each of us then has stuff.
4 The CEO and the senior vice president are not part of
5 the 2019 STIP. The rest of the employee base, all
6 10,000, approximately, are, are part of the 2019 STIP.

7 Q Okay. In coming up with the 2019 STIP, did
8 you determine which PG&E department's division of
9 employees or categories of employees would be eligible
10 for an award?

11 A The 2019 STIP is available to all
12 STIP-eligible employees, which is largely -- I would
13 say largely the non-represented workforce. It
14 excludes, as I said, the senior officers of the
15 company. It does include a small number of
16 represented employees as well.

17 Q Based on your understanding of the corporate
18 structure of PG&E, how many employees are directly
19 responsible for fire prevention?

20 MR. SLACK: Objection to the form of the
21 question.

22 THE WITNESS: I don't know how many employees and
23 what their individual job duties are.

24 BY MS. WOLTERING:

25 Q If you had to estimate?

1 MR. SLACK: Is that a question?

2 THE WITNESS: I really don't know.

3 BY MS. WOLTERING:

4 Q Okay. Do you know if any of the 10,000
5 employees eligible to participate in the 2019 STIP are
6 facing criminal proceedings or civil proceedings due
7 to the 2017 or '18 wildfires?

8 A I do not know.

9 Q What is your understanding of an insider?

10 MR. KAROTKIN: For what purpose?

11 MS. WOLTERING: He testifies about the insiders
12 are not eligible, his declaration for the STIP.

13 THE WITNESS: So my understanding of insiders is
14 laid out in page 5, which is the debtor's most senior
15 leaders.

16 BY MS. WOLTERING:

17 Q And what is your understanding of
18 non-insiders?

19 A I would guess it is those who are not
20 insiders, so everyone else.

21 Q What analysis was performed to determine the
22 weighting of this 2019 STIP metrics?

23 MR. SLACK: Objection to the form.

24 THE WITNESS: Can you explain that?

25 BY MS. WOLTERING:

1 Q Yeah. So in your Declaration you list
2 various categories and their rates --

3 A Yeah, so 50 percent safety.

4 Q -- the performance metrics and weightings.
5 What analysis did you or the compensation
6 committee perform to determine the appropriate
7 weighting for each of those metrics?

8 A So as we put the program together, we -- when
9 I say "we," I mean the senior leaders of the
10 company -- talk about what is most important to the
11 company. And for the last few years we've had
12 50 percent of our STIP be associated with safety.
13 Historically, I think we've had 25 percent for
14 customer and 25 percent for financial. And we have
15 felt that that is a weighting that reflects what is
16 important to the company. So 50 percent is the most
17 important, but we also have to keep the customer in
18 mind and keep the financial health of the company in
19 mind. So that's how we have -- it is a -- it is a
20 qualitative assessment. It isn't a hard analytic
21 assessment. But it's a discussion based on our view.

22 Q So between the 2018 STIP and the 2019 STIP,
23 you used this -- you performed an assessment and
24 determined that the company's financial performance
25 should be weighted more heavily than customer

1 satisfaction?

2 A Well, what we learned, which influenced our
3 thinking, is that in a restructuring the company's
4 financial performance is more important. We didn't
5 want to reduce the importance of safety, and so we
6 balanced between customer and financial.

7 Q More important to whom?

8 A More important to the stakeholders in the
9 process.

10 Q What is your understanding of who those
11 stakeholders are?

12 A That we need to have a financially healthy
13 company to be able to emerge from Chapter 11, and
14 therefore the emphasis on financials is more important
15 during the restructuring process.

16 Q More important to whom?

17 A The various stakeholders, the people who have
18 claims, the various stakeholders in the process.

19 Q Claims for what?

20 A There's a variety of claims against the
21 company in the Chapter 11 process. So all of those
22 claims, in order for them to be -- to have a
23 successful resolution of the Chapter 11, it's
24 important for the company to be financially healthy.

25 Q For each of the performance metrics for the

1 2019 STIP, can you tell me the status of where they
2 are? Have they been implemented or are they in the
3 process? Have they being developed? If we can just
4 walk through them.

5 A Yeah, each of the metrics is in place and we
6 are -- we are performing against them. I don't yet
7 know what the performance is because the quarter
8 hasn't closed.

9 Q But the metrics are each in place?

10 A Yes.

11 Q And the process for evaluating the metrics
12 exists?

13 A Yes.

14 Q In coming up with the 2019 STIP, did you
15 review or consider comparable companies' incentive
16 plans?

17 A I didn't personally. I know that as the STIP
18 has been developed, the compensation team is aware of
19 plans at other companies, but I did not personally.

20 Q Were comparable companies' incentive plans
21 ever discussed with the compensation committee?

22 A Individual company's plans were not discussed
23 with the compensation committee.

24 Q Was there a general discussion where the 2019
25 STIP fell when being compared to comparable companies?

1 A I think it is part of the work that Willis
2 Towers did, and they have looked at our STIP and
3 comparable companies. And in their view the STIP is
4 consistent with or in line with what you see in
5 comparable companies.

6 Q Was that presented or discussed at the
7 compensation committee meeting?

8 A Yes.

9 Q Was that presented by Willis?

10 A It's part of Willis's report, so I don't know
11 more than that.

12 Q What was the discussion regarding comparable
13 companies at the compensation committee meeting?

14 A I don't remember a specific discussion about
15 comparable companies, so much as an acknowledgement
16 that the program was consistent with industry practice
17 and general practice in the utilities.

18 Q Were there any questions by the compensation
19 committee to see comparable programs?

20 A Not that I recall.

21 Q Did they ask any follow-up questions about
22 the general statement that the 2019 STIP was
23 comparable?

24 A Not that I recall.

25 Q Can you explain to me the difference between

1 a key employee incentive plan, a key employee
2 retention plan, and a STIP?

3 A So we've talked about the STIP. The STIP is
4 an incentive plan that is part of a total compensation
5 package for the broad group of our employees. The key
6 employee incentive plan, what we think about that,
7 that is a plan for what we have called the insiders
8 previously in this conversation. And it is similar
9 for that group of employees. Their target
10 compensation would consist of both wages, salaries, as
11 well as incentive compensation. So that would be the
12 component of the plan for that set of employees.

13 We learned about a key -- I learned about a
14 key employee retention plan as part of the
15 restructuring process. It isn't a plan that we've had
16 in place before. I understand that it is a plan that
17 is commonly used in a restructuring process, and so we
18 are considering that as well. We do not historically
19 have that plan.

20 Q Are you working on that?

21 A We're still thinking about it.

22 Q Are you part of the team considering it?

23 A I'm not part of the team that is actively
24 considering it, but I engage as they're in their
25 considerations. I'm not day-to-day in the

1 discussions.

2 Q Who is responsible for developing any key
3 employee incentive plan or key employee retention
4 plan?

5 A Usually those plans are developed by the
6 total rewards team. And the individual who is
7 responsible for that is John Lowe.

8 Q Does John Lowe report to you?

9 A Yes.

10 MS. WOLTERING: Let's take a quick break and then
11 we'll be done.

12 (Recess.)

13 BY MR. JULIAN: Pass the witness.

14 MR. SLACK: Okay. Anybody else have some
15 questions?

16 MR. DENNY: Not today.

17 MR. SLACK: It looks like we're done.

18 MR. JULIAN: Okay. Thank you.

19 THE WITNESS: Thank you.

20 MS. WOLTERING: Thank you.

21 (TIME NOTED: 1:40 p.m.)

22

23

24

25

1 I, the undersigned, a Certified Shorthand
2 Reporter of the State of California, do hereby
3 certify:

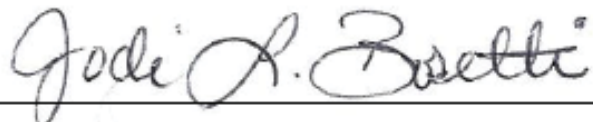
4 That the foregoing proceedings were taken
5 before me at the time and place herein set forth; that
6 any witnesses in the foregoing proceedings, prior to
7 testifying, were administered an oath; that a record
8 of the proceedings was made by me using machine
9 shorthand which was thereafter transcribed under my
10 direction; that the foregoing transcript is a true
11 record of the testimony given.

12 Further, that if the foregoing pertains to
13 the original transcript of a deposition in a Federal
14 Case, before completion of the proceedings, review of
15 the transcript [] was [X] was not requested.

16 I further certify I am neither financially
17 interested in the action nor a relative or employee
18 of any attorney or any party to this action.

19 IN WITNESS WHEREOF, I have this date
20 subscribed my name.

21
22 Dated: March 21, 2019

23 
24

JODI L. BOSETTI

25 CSR No. 11316, RPR

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Federal Rules of Civil Procedure

Rule 30

(e) Review By the Witness; Changes.

(1) Review; Statement of Changes. On request by the deponent or a party before the deposition is completed, the deponent must be allowed 30 days after being notified by the officer that the transcript or recording is available in which:

(A) to review the transcript or recording; and

(B) if there are changes in form or substance, to sign a statement listing the changes and the reasons for making them.

(2) Changes Indicated in the Officer's Certificate. The officer must note in the certificate prescribed by Rule 30(f)(1) whether a review was requested and, if so, must attach any changes the deponent makes during the 30-day period.

DISCLAIMER: THE FOREGOING FEDERAL PROCEDURE RULES ARE PROVIDED FOR INFORMATIONAL PURPOSES ONLY.

THE ABOVE RULES ARE CURRENT AS OF SEPTEMBER 1, 2016. PLEASE REFER TO THE APPLICABLE FEDERAL RULES OF CIVIL PROCEDURE FOR UP-TO-DATE INFORMATION.

VERITEXT LEGAL SOLUTIONS
COMPANY CERTIFICATE AND DISCLOSURE STATEMENT

Veritext Legal Solutions represents that the foregoing transcript is a true, correct and complete transcript of the colloquies, questions and answers as submitted by the court reporter. Veritext Legal Solutions further represents that the attached exhibits, if any, are true, correct and complete documents as submitted by the court reporter and/or attorneys in relation to this deposition and that the documents were processed in accordance with our litigation support and production standards.

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